WANDSWORTH BOROUGH COUNCIL PENSION FUND

PENSION FUND ANNUAL REPORT 2021/22

Introduction

Welcome to the second annual report of the Wandsworth Council Pension Fund incorporating Richmond Council's Pension Fund.

The content and detail within the report is largely prescribed by legislation under the Local Government Pension Scheme Regulations 2013. The report complies with those regulations. The publication of this report gives the Council the opportunity to demonstrate the standard of governance and supervision of the Fund. It also brings together a number of separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how it is performing. It is in the interest of both employees and the public that the Fund is well managed and shows high returns to provide value for money for both employer and employee.

The report has been structured to reflect legislative requirements and guidance issued by the Ministry of Housing, Communities and Local Government and the data therein is accurate as at 31 March 2022.

On the investment side of the Fund the strong recovery in the previous year from COVID-19-related losses continued into 2021/22, with the Fund adding close to a further 10% to the end of the calendar year. The first quarter of the new year, however, saw markets fall back as unforeseen events – this time war in Ukraine – added to existing economic uncertainties. Despite the volatility, the Fund's three-year return of 7.1% per annum, whilst below the average local authority return for the period, more than met actuarial expectations as the latest triennial valuation fell due. At portfolio level, the active global equity managers all recorded below-index returns and the Fund's currency hedge was a further headwind as the pound fell sharply from early period highs above $1.40. The Fund continued to implement its ESG strategy as the vast majority of its remaining UK equity holdings were sold during the year, to be redeployed in global, ESG-aligned equity funds or other asset classes. The Fund continues to build on this start with further initiatives toward progressive de-carbonisation and investment in renewable technologies being carried forward.

The results of the latest actuarial valuation of the Pension Fund as at 31 March 2019 show that the Fund was 105% funded overall (after setting aside and Asset Shock Reserve), with funding levels varying between employers. This funding level includes many assumptions, and potentially the most material being the effect of the McCloud and Sargeant cases and the cost cap. This is still unknown as LGPS regulations have yet to be amended in respect of this ruling and the funding level therefore gives some comfort on the Fund's ability to absorb more costly changes should they be imposed. The common rate of employer contribution for future services was 19.6% of pensionable pay. Employers' individual contribution rates from this process were implemented from 1 April 2020.

The shared pension administration service continues to provide the administration function for Bromley, Camden, Merton and Waltham Forest funds increasing resilience and savings to all boroughs in the years to come.

Further information about the Local Government Pension Scheme can be found at:
https://pensionssharedservice.org.uk/

The Council places responsibility for the Pension Fund under the Joint Pensions Committee.

Fenella Merry	Councillor Norman Marshall
Director of Resources	Chairman of Joint Pensions Committee

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SECTION 1 - MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

Under Regulation 57 of the Local Government Pension Scheme Regulations 2013, the Council is required to provide a Management and Financial Performance Report. Guidance from Communities and Local Government (CLG) states that the report contains details of scheme management and advisors including contact details. The following details are for the year to 31 March 2022.

Fund Management and Advisers

Under the Council's constitution the Joint Pensions Committee has overall responsibility for pension fund matters.

Membership of the Joint Pensions Committee during the year was follows:

Joint Pensions Committee (All members have full voting rights)

Councillor Guy Senior - Chairman
Councillor Nancy Baldwin* – Deputy Chairman
Councillor Paul Avon* – Member
Councillor Kim Caddy – Member
Councillor Peter Carpenter – Member (Opposition Speaker)
Councillor Ian Craigie* – Member
Councillor Angela Ireland – Member
Councillor Rory O'Broin – Member
Councillor Aled Richards-Jones

All Councillors may be contacted at the Town Hall, Wandsworth High Street, London, SW18 2PU or alternatively using individual contact addresses which are available at http://www.wandsworth.gov.uk/yourcouncillors with the exception of those marked with a * who are Richmond Councillors – they can be contacted at the Civic Centre, 44 York Street, Twickenham, TW1 3BZ, or alternatively using individual contact addresses which are available at https://cabnet.richmond.gov.uk/mgMemberIndex.aspx

Voting records and attendance records for each meeting of the Pensions Committee are available at https://democracy.wandsworth.gov.uk/ieListMeetings.aspx?CommitteeId=634

The Director of Resources and Assistant Director of Resources (Financial Services) provide access to a Knowledge and Skills toolkit for new members of the Committee and all are required to complete the Hyman's LGPS Online Learning Academy online training. The Fund's Investment Consultant provides a training session prior to each committee meeting on key themes and individual Members attend investment conferences and training as they deem appropriate.

Investment Managers

Manager	Mandate
River & Mercantile	Managed UK Equities
Baillie Gifford (London LGPS CIV)	Managed Global Equities
Longview (London LGPS CIV)	Managed Global Equities
RBC (London LGPS CIV)	Managed Global Equities
Allianz	Managed Enhanced Bonds
Janus Henderson	Multi Asset
UBS	Passive Multi Asset
CQS (London LGPS CIV)	Multi Asset Credit
Oakhill	Multi Asset Credit
Rreef*	Managed Property Unit Trust
CCLA/LAMIT	Property
Schroders	Property
Janus Henderson (managed by Nuveen)	Property
L&G	Passive Multi Asset and Property
Russell	Currency (Passive Overlay)
JP Morgan	Infrastructure
Pantheon	Infrastructure
London LGPS CIV	Infrastructure
Brightwood	Private Debt
Churchill	Private Debt
Permira	Private Debt

* accessed via Aberdeen Asset Management

Asset Pool – London LGPS CIV

Postal address: London CIV, Fourth Floor, 22 Lavington Street, London SE1 0NZ
Registered Address: As above

Authorised and Regulated by the Financial Conduct Authority (FCA) number 710618.

E-mail: pensionsCIV@londonciv.org.uk Tel: 0208 036 9000

Investment Advisor
Mercer

Custodian
Northern Trust

AVC Providers
Prudential, Clerical Medical, Utmost (former Equitable Life policies – closed to new contributors)

Fund Actuary
Barnett Waddingham

Legal Advisors
South London Legal Partnership

Bankers
National Westminster Bank Plc

Auditor
Ernst & Young LLP

Wandsworth Council

Responsible Financial Officer	Fenella Merry
Assistant Director of Resources (Financial Services)	Paul Guilliotti
Scheme Administration - Head of Pensions Shared Service	Martin Doyle
Scheme Investments and Accounting:-	
Head of Pension Fund & Insurance Accounting	Coral Baxter
Pension Fund Investment Officer	Malcolm Smith

In the first instance contact to any of the above should be made via Malcolm Smith, Pension Fund Controller by telephoning (020) 8871 8887 or by email to malcolm.smith@richmondandwandsworth.gov.uk

Risk Management

The roles of the external fund managers and custodian who are responsible for the management and safekeeping respectively of the Pension Fund assets are clearly set out in the Investment Strategy Statement (ISS) (Section 8) with commentary on how investment risk is diversified and managed. The roles of the Fund investment advisor and the Fund actuary are also clearly specified in this document. All of the above have legally binding contracts and are subject to regular review and competitive tendering according to legislation and the Council's procurement rules.

The Funding Strategy Statement (FSS) (Section 7) explains the Fund's key risks and how they are identified, mitigated, managed and reviewed.

The Council's overall strategy on risk management is reviewed annually and was last updated in Committee Paper 22-97 approved by the Audit Committee on 7 March 2022. The Council maintains the Pension Fund to meet the pension guarantee and fund the pension benefits as defined by legislation passed by Parliament. Whilst there is no integrated section of this report dedicated to the Pension Fund, the whole report underpins the Council's approach to Pension Fund Risk Management and risk and governance structure is integrated within. Furthermore, the Local Pension Board considers Risk Management at each of its meeting and should any concerns arise these would be referred to the Joint Pensions Committee.

Richmond and Wandsworth Councils are the primary employers in the Pension Fund and risks of late contributions are therefore mainly with employers with external payrolls. This includes some schools, colleges and admission bodies. Contributions from all payroll providers are reconciled monthly against contributions expected and cash received, and this reviewed as part of the annual external audit of the Fund's accounts.

The investment managers and the custodian are audited separately at different times by audit firms of whom the Council has no control over. The Council receives control reports from investment managers and the custodian that provide some level of assurance from their independent accountants.

Investment advice is received from Mercer. Officers and Mercer meet and review fund manager performance and activity at least quarterly. The Pensions Committee meet at least quarterly and details of these meetings are provided in Section 5.

Financial Performance

The Financial Performance of the Pension Fund is reported in this section. It comprises income and expenditure against budget and details of employee and employer contributions.

Income and Expenditure against Budget

An analysis of additions and withdrawals from dealing with Fund members is provided below. The table compares movements with 2020/21 and with forecasts giving reasons for any significant variances from forecast by cashflow heading.

Budgets and forecasts are not used for changes in market value or for dividend yields on shares or interest receipts from bonds as these are outside the control of the Committee and can be volatile. The income received is normally re-invested in the fund by managers together with any asset sale proceeds. Details of the assets of the Fund are available in Section 6.

Dealings with Scheme Members	2020/21 Actual	2021/22 Budget	2021/22 Actual	Variance	
	£000	**£000**	**£000**	**%**	**£000**
Contributions receivable					
Monthly receipts					
- Members	16,040	15,760	17,095	8	1,335
- Employers	47,389	47,340	49,962	6	2,622
One off receipts					
- Employers strain costs	357	1,400	1,315	-6	-85
- Transfers in	11,304	8,180	10,037	23	1,857
TOTAL INCOME	75,090	72,680	78,409	4	2,990
Benefits/Expenses					
Monthly payments					
- Pensions	-68,371	-69,410	-69,651	0	-241
One off payments					
- Retirement lump sums	-9,020	-8,590	-9,604	12	-1,014
- Death lump sums	-1,823	-1,150	-1,150	0	0
- Transfers out	-4,850	-9,190	-9,960	8	-770
TOTAL EXPENDITURE	-84,064	-88,340	-90,365	2	-2,025
Net withdrawal / addition from Dealings with Members per Accounts	-8,974	-15,660	-11,956	-6	965

The table shows that in 2021/22 (as in 2020/21) there were net withdrawals from dealing with members, reflecting the fact that the combined Fund is structurally “cash flow negative” due to the increasing maturity of its liabilities. The overall deficit in 2021/22 is lower than was originally estimated, principally due to regular monthly contributions being higher than anticipated.

The largest proportional variances to estimate are shown in the categories where accurate forecasting in the most difficult i.e. transfers in / out and lump sum payments.

Investment management expenses are shown in the table below along with a forecast of the Pension Fund budget for the next 3 years agreed by the Pensions Committee in Paper No. 22-105 on 16 March 2022.

Pension Fund Budget	2022-23 £000	2023-24 £000	2024-25 £000
Regular Cashflows			
- Contributions From			
Members	17,120	17,450	18,070
Employers Normal	50,460	52,000	53,870
- Benefits Payable			
Pensions	-71,650	-75,060	-77,010
Irregular Cashflows			
- Contributions From			
Employers Additional	1,000	1,000	1,000
Transfers In	7,810	8,090	8,390
- Benefits Payable			
Retirement Benefit Lump Sums	-11,310	-11,720	-12,140
Death Benefits	-1,350	-1,400	-1,450
Transfers Out	-9,810	-10,160	-10,530
Net (Withdrawals) from Dealing with Members	**-17,730**	**-19,800**	**-19,800**
Returns on Investments and Governance Costs			
Investment Income	44,310	46,300	48,390
Investment Management Expenses	-9,200	-9,610	-10,040
Establishment	-890	-920	-960
Custody	-60	-60	-70
Professional Advice	-150	-160	-170
Total	**16,280**	**15,750**	**17,350**

Contribution Amounts due to the Fund from Employers and Employees

The following table provides details of the total amounts due for the period April 2021 to March 2022 for employers, basic and additional members' contributions.

Employer	Establishment	Pensionable Pay	Contributions Received		
			Employee's	Employer's	Total
		£000's	£000's	£000's	£000's
Wandsworth Council					
(In-House Payroll)	Wandsworth Council	33075	1991	5953	7944
	SSA	127811	9292	23007	32299
(Schools with External Payroll Providers)	Albemarle School	555	32	100	132
	Ernest Bevin College	880	57	158	215
	Honeywell Infant School	455	26	82	108
	Honeywell Junior School	410	23	74	97
	St John Bosco College	901	55	162	217
Scheduled Bodies					
	Alton Academy	486	30	92	122
Free School 01/09/2020	Anglo Portuguese School	24	1	5	6
Academy 01/09/2018	Ark John Archer	346	20	66	86
	Ashcroft Technology College	1765	117	335	452
	Belleville School	1221	83	234	317
	Bolingbroke ARK	672	42	129	171
	Burntwood Academy	1459	96	277	373
	Chesterton Academy	424	26	81	107
	Chestnut Grove	898	55	171	226
	Floreat Academy	310	18	59	77
Academy 01/09/2018	Franciscan School	428	24	81	105
	Graveney School	2476	165	467	632
Academy 01/01/2019	Goldfinch School	310	18	59	77
	Griffin School	141	8	25	33
	Harris Academy Battersea	682	42	136	178

Academy 01/09/2018	Linden Lodge	2672	168	515	683
	Mosaic SLJPS	247	15	47	62
	Nightingale School	842	57	162	219
	Oasis Putney	222	14	42	56
	Putney ARK	1075	66	198	264
Academy 01/02/2021	Ravenstone School	475	27	90	117
	Southfields Academy	1883	121	361	482
	St Cecilia's C of E School	880	56	167	223
	Tooting Primary School	447	26	85	111
	Westbridge Primary School	199	12	38	50
	Belleville Wix Academy	279	17	53	70
New Contract 01/08/2019	Wandle Learning Trust	607	48	115	163
Admitted Bodies					
	CCTV - NSL Ltd	51	3	11	14
	CT Plus	531	32	142	174
New Contract 01/04/2020	Enable - Parks and Open Spaces	166	11	30	41
New Contract 01/04/2020	Enable - Leisure and Sport	797	52	143	195
New Contract 01/04/2020	Enable - Bereavement	192	13	34	47
New Contract 01/04/2020	Enable - PSAD	118	7	21	28
	Greenwich Leisure Ltd	1111	73	246	319
	One Trust	780	51	181	232
New Contract 01/05/2020	Wandsworth Music Service	247	17	53	70
Total Wandsworth		**189550**	**13107**	**34487**	**47594**

Employer	**Establishment**	**Pensionable Pay**	**Contributions Received**		
			Employee's	**Employer's**	**Total**
		£000's	**£000's**	**£000's**	**£000's**
Richmond Council[1]					
(In-House Payroll)	Richmond Council	14084	852	4735	5587
	Barnes School	679	42	166	208

(Schools with External Payroll Providers)	Christs School	951	60	232	292
	Collis School	872	51	213	264
	Hampton Wick School	528	29	129	158
	Hampton Infant & Nursery School	451	27	112	139
	Hampton Junior School	424	25	103	128
	Kew Riverside School	182	10	45	55
	Orleans Infants	526	31	128	159
	Queens School	400	23	98	121
	St Edmunds School	497	29	121	150
	St James School	576	33	141	174
	St John the Baptist School	351	21	86	107
	St Marys & St Peters School	715	42	174	216
	Stanley School	928	54	226	280
	Vineyard School	693	40	169	209
Scheduled Bodies					
	Achieving for Children	18938	1313	3598	4911
New Free School 01/09/2019	Capella House (Auriga)	272	18	52	70
	Clarendon (Auriga)	828	48	192	240
	Greycourt	1390	89	265	354
	Hampton High	662	42	134	176
	Nelson Academy	446	26	101	127
	Orleans Park	1028	63	227	290
	RAHCC (Prev. RACC)	1655	108	417	525
	Richmond Upon Thames College	2402	155	773	928
	Richmond Upon Thames School	573	39	109	148
	Richmond Park Academy	632	39	129	168
	Strathmore (Auriga)	1264	73	258	331
	St Marys Hampton School	182	11	35	46
	Teddington School	709	45	147	192

	Thomson House School	384	22	67	89
	Turing House School	590	37	129	166
	Twickenham Primary (Academy)	325	18	79	97
	Twickenham School	500	31	104	135
	Waldegrave	1286	81	300	381
Admitted Bodies					
New Employer 2017	Alliance in Partnership	40	2	11	13
	Hampton School	526	41	127	168
	Institute of Revenues, Rating and Valuation	382	29	136	165
	Lifeways	124	8	21	29
	Notting Hill Genesis	16	1	38	39
Ceased	Richmond Housing Partnership	0	0	42	42
	Richmond Music Trust	145	9	34	43
	South West Middlesex Crematorium Board	338	22	83	105
	St Mary's University	1796	128	615	743
New Employer 2020	Serco	564	38	102	140
	Support for Living	377	24	67	91
New Employer 2017	YMCA	71	4	15	19
Total Richmond		**61302**	**3933**	**15285**	**19218**
Final Total		**250852**	**17040**	**49772**	**66812**

The Director of Resources is authorised to decide whether to levy interest in any case where contributions are received late. During the 2021/22-year seven employers submitted contributions late. These instances have been recorded on the Breaches Register and monitored for further occurrences. The total contributions were not significant, and it would not have been economic for the Service to have pursued interest on these amounts.

The above figures exclude the capitalised payments detailed in the “Early Retirement within the LGPS” paragraph of Section 4.

Management of Admitted Bodies and Funding arrangements

There was one new free school and one new admission body that commenced in this reporting year (one backdated to 2017) and no cessations. The table gives a breakdown of the type of employer within the Fund and whether the employer is active (employs contributing active members) or ceased (no active members but with some outstanding pension liability).

	Active	Ceased	Total
Scheduled body	49	0	49
Admitted body	20	34	54
Total	69	34	103

Pension Overpayments and National Fraud Initiative Results

Invoices raised for overpaid pensions for the last three years and payments written off are given below. The non-recovery limit is £100 and this was set in respect of any overpaid pensions from January 2017 onwards. The figures are the totals for both the Wandsworth and Richmond Councils pensioner payrolls.

Year	2019/20	2020/21	2021/22
Invoices raised	£45,506	£47,846	£49,589.98
Written-off	£2,536	£4,213	£3,390.22

Details of the last two National Fraud Initiatives (2018 and 2020) are at Appendix 1.

Administrative Costs

Costs such as staff, premises and IT are charged by the Councils and are allocated to the fund as part of its share of the Councils' overall costs and a breakdown is provided below. These costs are further identified and benchmarked against similar costs of other authorities and monitored by the CLG via statutory annual returns. Costs consist of direct costs of staff employed on administering the Pension Fund together with an apportionment of overheads, such as office accommodation.

The pension fund net asset statement, fund account and notes to the accounts are audited by Ernst & Young (EY). EY's report on the Council is contained in the Council's statement of accounts and their report on the Pension Fund is contained in this report.

The summary below shows the costs coming from these main areas which are recorded in the accounts as Management Expenses.

Year	Pension Administration Shared Service Costs	Accounting & Investments Team Section	Payroll Team Costs	Directorate Management & Democracy	Audit Fee	Total Charge
	£000	£000	£000	£000	£000	£000
2020/21	510	158	n/a	64	16	749
2021/22	996	184	329	64	41	1,614

The figures above show all administering authority charges by section and the cost of auditing the Pension Fund. The largest element of these costs is the pensions administration function, which is provided by Wandsworth Council as part of their Shared Service which provides pensions administration services to several London funds. Administrative Costs have increased as a result of a review of the apportionment of the pension administration team's costs.
Further detail on the costs of the Pensions Administration function is given below:

Pension Shared Service 2021/22	Original Budget	Revised Budget	Actual	Variance
	£	£	£	£
Staffing Costs	1,349,900	1,349,900	1,537,649	187,749
Central and Technical Support	559,900	559,900	345,407	-214,493
Other Supplies and Services	226,000	226,000	680,147	454,147
Costs recovered from Shared Service partners	-955,000	-955,000	-1,367,598	-412,598
Other external income	-110,000	-110,000	-93,122	16,878
Net expenditure	1,070,800	1,070,800	1,102,483	31,683
Charge to Council - Employer Duties	-445,300	-445,300	-131,775	313,525
Charge to Pension Fund	-625,500	-625,500	-970,708	-345,208

NB This table shows only the costs relating to 2021/22. The summary above includes £25k relating to a prior year adjustment to correct estimated values for 2020/21

The expenditure includes the costs associated with the Council performing its functions as an employer for the purposes of the Local Government Pension Scheme Regulations. Work carried out as an employer as well as that for Teachers' Pensions, cannot be charged to the Pension Fund. The expenditure shown above also includes the budget for the Camden, Merton, Richmond, Waltham Forest and Wandsworth Pensions Shared Service. Staffing costs were higher than budget due to the taking on temporary staff to cover increased work as a result of Automatic Enrolment and the complexities of administering the schemes. The additional staff costs have been funded across the PSS partnership.

Further detail of the actual expenditure for 2021/22 is given in the table below.

2021/22 Expenditure	Description	Totals £'s
Staffing	Salaries	1,186,130
	National Insurance	119,338
	Employer Pension	208,886
	Redundancy costs	0
	Training/Advertising/Travel	23,294
Central & Technical Support	Central Services Recharge	345,407
	Payroll	0
Other Supplies & Services	Printing/Stationery	15,198
	Postage	39,459
	IT & Telecoms	639,391
	Legal & Contracts	2,144
	General (fares/equipment)	-16,044
	Total Expenditure	**2,563,203**

Management Expenses

The Pension Fund paid £11.185m in management expenses in 2021/22. This was an increase of £2.297m (25.8%) compared with the amount for the fund in 2020/21. The increase is due to a combination of growth of around 8% in the value of assets under management (most fees are charged as a percentage of AUM) and an increased investment in alternative assets (such as property, infrastructure, private debt) which by nature attract higher fees.

Type of Fee	2020/21 Actual £000	2021/22 Budget £000	2021/22 Actual £000	Variance %	Variance £000
Investment Management Expenses					
Allianz (ex-Rogge)	281	250	283	13%	33
River and Mercantile	282	100	150	50%	50
Aberdeen	10	10	10	0%	0
CCLA	26	30	30	0%	0
Janus Henderson/Nuveen	443	500	613	23%	113
L&G	186	200	313	57%	113
Schroders	310	350	430	23%	80
Baillie Gifford (LGPS CIV)	1,263	1,300	1,458	12%	158
Longview (LGPS CIV)	1,728	1,830	2,114	16%	284
RBC (LGPS CIV)	0	500	566	13%	66
UBSGAM Passive	42	10	29	190%	19
CQS (LGPS CIV & Direct)	787	850	835	-2%	-15
Oakhill	990	1,000	1,003	0%	3
Baillie Gifford DGF (LGPS CIV)	6	0	0	0%	0
JP Morgan	544	550	616	12%	66
Pantheon	417	400	436	9%	36
CIV Renewable Infrastructure	0	658	832	26%	174
Brightwood	114	100	164	64%	64
Churchill	234	300	360	20%	60
Permira	136	200	296	48%	96
Russell	107	100	144	44%	44
Other LCIV fees	110	100	110	10%	10
	8,016	**9,338**	**10,792**	**16%**	**1,454**
Custody / Transaction Costs					
Northern Trust	60	35	56	60%	21
Admin Authority Investment Mgt		77	77	0%	0
Transaction Costs	812	220	260	18%	40
	872	**332**	**393**	**18%**	**61**
Total Investment Costs	**8,888**	**9,670**	**11,185**	**16%**	**1,515**
Oversight & Governance Costs	**220**	**150**	**346**	131%	196
Administration Costs	**733**	**874**	**1,324**	51%	450
Grand Total	**9,841**	**10,694**	**12,855**	**20%**	**2,161**

Post Pool Reporting	2020/21 Actual	2021/22 Actual
Analysis of Investment Management Expenses	**£000**	**£000**
Pooled (Management Fees)	3,294	5,376
Non-Pooled	4,612	5,306
Fixed Pooled Costs	110	110
	8,016	**10,792**

Pooling Set-Up Costs*

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Share Capital	0	300	0	0	0	0	0	0
Annual Charges	100	50	50	100	90	90	110	110
Transition Costs**	0	0	0	0	0	0	0	0
Total Costs	100	350	50	100	90	90	110	110

*2014/15-2016/17 paid on behalf of London Borough of Richmond-upon-Thames and London Borough of Wandsworth; from 2017/18 paid on behalf of London Borough of Wandsworth
**No material transition costs incurred as all transfers to LCIV In-Specie / Proxy

Unit costs per member including investment management

	2020/21	2021/22
Pension Fund Costs	£732,970	£1,573,184
Investment Management Costs	£8,888,062	£11,185,055
Total	**£9,621,032**	**£12,758,239**
Membership	40,862	41,786
Cost per member inc. Investment Cost	**£235.45**	**£305.32**
Cost per member exc. Investment Cost	**£17.94**	**£37.65**

Pension Fund Costs include the increased costs of Pensions Administration and Payroll identified when the administering authority reviewed its charging methodology this year.
Investment Management Costs have increased for two main reasons. Firstly, management fees are normally charged as a percentage of the value of assets under management. Therefore fees will grow as the value of the investment grows. The second reason is that the Fund is now investing more in more management intensive assets which attract higher fees, mainly Infrastructure and Private Debt. Again, as the value invested increases, the fees charged as a percentage of that value increase.

Management Performance

Performance Indicators

Key items of work are reported quarterly to the Director of Resources and the Pensions Board. Achievements against targets at the end of year for these key items are given in the table below. Data is for both Richmond and Wandsworth. Comparators with other administrators was not undertaken last year as the other administrators taking part in the benchmarking do not directly reflect the administration of the Shared Service providing administration for four pension funds.

Additional information covering the work of the Service is included in the review of specific major tasks/projects completed during the year in Section 3 - Scheme Administration Report.

Category of Work	2020/21 Achieved	2021/22 Achieved	Target
New Scheme Member	99.84%	99.96%	95.00%
Transfers In	91.39%	94.41%	95.00%
Early Leavers	98.94%	99.02%	95.00%
Transfers Out	84.36%	92.06%	95.00%
Refunds	100.00%	100.00%	95.00%
Pension Sharing on Divorce	100.00%	100.00%	98.00%
Retirements	95.02%	99.34%	98.00%
Deceased member	95.99%	98.61%	98.00%

Performance in 2021-22 was stronger than in 2020-2021 – the year of national restrictions necessitated by the pandemic.

Customer Satisfaction Levels

Quality questionnaires are sent with every completed case together with a suggestion slip for members to suggest areas where they feel quality could be improved. The table below gives the percentage ratings of member satisfaction levels for the last 5 years.

	17/18	18/19	19/20	20/21	21/22
Very Satisfied	67%	72%	67%	69%	51%
Satisfied	29%	28%	29%	23%	45%
Not satisfied	4%	0%	4%	8%	4%

For the year 2021-22, the Pensions Shared Service introduced a new way of recording customer satisfaction levels changing from forms returned by post to online which makes the surveys more accessible across the range of our customers.

Complaints Received

The Service uses the Council's Suggestions and Complaints procedure. Complaints received in the last 5 years are shown in the table below.

Type of Complaint	17/18	18/19	19/20	20/21	21/22
System Error	0	1	0	0	0
Staff Error	3	2	1	1	0
Staff Attitude	1	0	0	0	0
Beyond Service Delivery Standards	1	5	1	1	2
Policy/Service Delivery changes	1	0	0	0	0
Not the Lead Authority	0	0	0	0	0
Total	**6**	**8**	**2**	**2**	**2**
Total as % of Workload	**0.12%**	**0.10%**	**0.03%**	**0.03%**	**0.03%**

Membership Numbers and Trends

Total membership numbers and trends split by member type – contributors, pensioners, dependants and deferred are shown below. The table also gives an indication of the membership trends within each member type.

% Diff from previous year Membership	19/20	20/21	% Diff 19/20 vs 20/21	21/22	% Diff 19/20 vs 20/21
No' of Contributors	11,209	11,475	2.37%	11,024	-3.93%
No' of Pensioners	9,044	9,284	2.65%	9,589	3.29%
No' of Dependants	1,370	1,436	5.51%	1,456	1.39%
No' of Deferred*	18,204	18,667	2.54%	19,717	5.62%
Total Membership	**39,827**	**40,862**	**2.60%**	**41,786**	**2.26%**

* The total number of deferred members includes members who have left the scheme with short periods of contributing membership but no entitlement to an ongoing pension. These members may however elect to receive a refund of their contributions or transfer their membership to a new pension arrangement.

Details of new pensioners analysed by reason for retirement is given below as at each year on 31 March.

Reason for Retirement	20/21	21/22
Ill Health Retirement (Total)	9	15
Tier 1	4	9
Tier 2	1	1
Tier 3	3	0
From Deferred	1	5
Redundancy	24	29
Flexible	8	6
Voluntary at Normal Pension Age (NPA)	251	215
Voluntary before NPA	122	126
Late	49	65
Total	**463**	**456**

For those awarded an ill health pension as an active contributing member of the scheme, there are graded levels of benefit based on how likely they are to be capable of gainful employment after they leave. Tier 1 represents the maximum enhancement. For deferred members there is no enhancement, but they do receive unreduced pension benefits.
Flexible retirement is available from age 55, where an active contributing member reduces their weekly hours or moves to a less senior position and provided their employer agrees, they then take some or all of their pension benefits.
Normal Pension Age is linked to a member's State Pension Age for benefits built up from 1 April 2014 (but with a minimum of age 65) and is the age at which a member can take their pension in full if they voluntarily retire. If a member was paying into the LGPS before 1 April 2014 their final salary benefits retain their protected Normal Pension Age - which for most is age 65.
Late retirement is where members take their pension benefits after their NPA

The age profile of the membership calculated as at 31 March 2022 is shown in the table and graph below.

Type of Member/Number within Age Band				
Age Band	**Actives**	**Deferred**	**Pensioners**	**Dependants**
0-5				2
05-10				6
10-15				18
15-20	108	35		27
20-25	576	454		19
25-30	881	1265		6
30-35	936	2075		2
35-40	1102	2386		2
40-45	1297	2405		5
45-50	1410	2509	2	13
50-55	1559	2978	18	24
55-60	1678	3198	307	50
60-65	1070	1647	1444	74
65-70	332	482	2225	129
70-75	71	171	2135	179
75-80			1596	226
80-85			979	216
85-90			558	242
90-95			241	147
95-100			71	57
100-105			12	10
105-110			1	2

SECTION 2 - INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Policy

The Council sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS) (Section 8). The ISS also sets out the Fund's policies in respect of responsible investment and other environmental or social issues.

The Fund subscribes to and is a member of the Local Authority Pensions Fund Forum (LAPFF). The Fund does not subscribe to and is not a member of any other bodies. However, under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Pension Fund is required to pool its funds and invest collectively. In order to comply with these regulations the Pension Fund is a shareholder in the London CIV (https://londonciv.org.uk/#)

The Investment Policy and the Council's approach to the management of risk for the Fund as a whole and in respect of the investment managers are outlined in the ISS (Section 8).

A summary of how the administration of investments is controlled, who deals with each element of the portfolio, how voting rights are exercised can be also found in the ISS (Section 8).

Responsible Investment Policy

The Council has a paramount fiduciary duty to obtain the best possible financial return on the Fund investments against a suitable degree of risk. It also considers a company's good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of the company and improve investment returns to its shareholders.

The investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund. In the execution of this, the Committee have considered and found it appropriate to adopt the investment managers' socially responsible investment policies. These policies are reviewed with the investment managers regularly both by officers and the Committee to ensure that the investment managers style and approach is in line with the Pension Fund's decarbonisation policy.

Voting

From 1st October 2016, the Fund's investment managers were instructed to vote "having had due regard to the stewardship code". Previously managers were required to vote in line with the National Association of Pension Funds' (NAPF) voting guidelines.

Membership of external bodies

The Council is a member of the Local Authorities' Pension Fund Forum (LAPFF) and subscribes to the Local Government Pensions Committee (LGPC) service, all costs for which are met from the pension fund budget.

Manager changes

During 21/22, the Fund continued to implement the revised investment strategy and approach agreed by the Committee in December 2020 and the following changes were made.

- The passive UK equities held via LGIM were transferred to the same manager's Future World equity fund and the LGIM Emerging Markets equities were sold.
- The segregated UK equity mandate with River & Mercantile was redeemed in full.
- The remaining passive Index Linked Gilts s held via UBS and the majority of the same manager's passive UK equities were redeemed (the remainder being sold early in 22/23).
- The above funds were reinvested in LCIV's Sustainable Equity Fund (£285m), LGIM's global Future World equity fund (£230m including the transfer), the Schroder Real Estate Fund (£50m) and the Fund's Multi-Asset Credit mandates (OHA £60m and CQS £50m).
- The Fund met initial drawdown calls from LCIV's Renewable Infrastructure Fund (£110m committed at the end of 20/21) and continued to meet calls on its pre-existing infrastructure and private debt mandates.

Monitoring of Managers

Managers are invited to the Joint Pensions Committee periodically. Their views about the prospects for each asset class over a specified time horizon are recorded following their attendance and these views are examined at subsequent meetings and at quarterly meetings with Council Officers held at managers' offices (or virtually where necessary). Monitoring of managers within the London CIV is carried out by the London CIV and Council Officers, the latter including direct interaction facilitated by the CIV.

Asset Allocation

Following the merger with London Borough of Richmond the Fund adopted a revised asset allocation target included with a joint Statement of Investment Principles (SIP). This target was incorporated in the fund's inaugural Investment Strategy Statement (ISS) approved by the Joint Pensions Committee in March 2017.

In May 2017, following a review of long-term investment strategy carried out in conjunction with the Fund's investment advisors, Mercer, the Committee adopted a revised asset allocation and ISS. A further review of the Fund's strategic asset allocation, following the completion of the 2019 triennial actuarial valuation was completed in December 2020 and agreed the following strategic allocation (removing a specific allocation to UK equity going forward). Further details are included in the ISS

Global Equity	55.00%
MAC	10.00%
Property	6.00%
Infrastructure Equity	10.00%
Private Debt	8.00%
Corporate Bonds	10.00%
Cash	1.00%

As noted above the revised target was substantially implemented during 2021/22. However, due principally to the time-lag entailed in funding some of the Fund's private asset / alternatives mandates (and also phasing of disinvestments), residual holdings in Index Linked Gilts (via the Allianz multi-asset bond mandate and UK equities (via UBS) remained at 31 March 2022.

31 March 2022	Actual Asset Allocation	Actual Asset Allocation	Target Asset Allocation	Tolerance Ranges
	£'000	%	%	%
Global Equities	1,652,273	57.5	55.0	45.0 - 65.0
Property	184,660	6.4	6.0	4.0 - 8.0
Infrastructure Equity	161,572	5.6	10.0	5.0 - 15.0
Multi-Asset Credit	330,327	11.5	10.0	5.0 - 15.0
Private Debt	131,056	4.6	8.0	4.0 - 12.0
Corporate Bonds	266,950	9.3	10.	5.0 - 15.0
Cash / Current Assets	41,856	1.5	1.0	0.5 - 3.0
UK Equities	67,553	2.3	0.0	n/a
Index Linked Gilts	38,361	1.3	0.0	n/a
Total	**2,874,608**	**100.0**	**100.0**	

Note: above excludes (non-investment) current assets / liabilities and shares in the CIV operating company.

31 March 2021	Actual Asset Allocation	Actual Asset Allocation	Target Asset Allocation	Tolerance Ranges
	£'000	%	%	%
Global Equities	1,119,528	40.9	55.0	45.0 - 65.0
Property	106,409	3.9	6.0	4.0 - 8.0
Infrastructure Equity	115,999	4.2	10.0	5.0 - 15.0
Multi-Asset Credit	243,363	8.9	10.0	5.0 - 15.0
Private Debt	103,457	3.8	8.0	4.0 - 12.0
Corporate Bonds	277,872	10.1	10.	5.0 - 15.0
Cash / Current Assets*	114,924	4.2	1.0	0.5 - 3.0
UK Equities	605,172	22.1	0.0	n/a
Index Linked Gilts	52,670	1.9	0.0	n/a
Total	**2,739,394**	**100.0**	**100.0**	

Note: above excludes (non-investment) current assets / liabilities and shares in the CIV operating company.

* At 31 March 2021, the Fund was transitioning to new asset allocation limits as approved in the revised Investment Strategy Statement approved by Committee in December 2020. The Committee agreed that cash levels could exceed the upper limit in the short term while new investments were in the draw down phase and to assist in transitioning to the new asset allocations. Disposal of assets was being phased to reduce price risk and UK Equities and Index Linked Gilts remained in the portfolio pending these sales.

Investment Performance

Fund performance is reported to the Committee on a quarterly basis comprising (1) individual manager performance and (2) whole fund performance as measured by the Fund's custodian, Northern Trust, reflecting the incorporation of the former London Borough of Richmond assets from 1 April 2017.

In addition, the fund receives longer-term performance information from Pensions & Investment Research Consultants Ltd (PIRC) who maintain a universe of LGPS historical returns (largely based on data collated by the former WM Company, provided by funds). In this analysis, PIRC have combined the two merged funds' historical records / rankings on a size-weighted basis.

Returns to 31 March 2022 (Annualised)	1 Year %	3 Years %	5 Years %	10 Years %	20 Years %	30 Years %
Local Authority Average	8.6	8.3	7.1	8.9	7.3	8.5
Local Authority Median	8.0	8.6	7.0	8.8	7.1	8.4
LB Wandsworth*	5.3	8.5	7.4	9.6	7.6	8.2
Ranking	**80**	**53**	**33**	**15**	**24**	**14**

Source: PIRC
*Incorporating LB Richmond's historical returns

Over the longer periods measured (10/20/30 years) the record of the combined Fund is ranked at the top quartile of the 62 funds measured by PIRC (around 2/3 of those in the former WM Local Authority Universe).

Individual Managers' Performance

Performance figures relative to their specific benchmarks is given for all of the Fund's managers over 1 and 3 years.

Year Ending 31st March 2022

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
UBS	UK Equity & IL Passive	+13.4	+13.4	0.0	-
Baillie Gifford (LCIV)	Global Equity	-6.6	+12.9	-19.5	+2.0
Longview (LCIV)	Global Equity	+14.8	+15.9	-1.1	+2.0
RBC (LCIV)	Global Equity	N/A	N/A	N/A	+2.0
Janus Henderson	UK Corporate Bonds	-5.4	-5.1	-0.3	+0.6
L&G	Multi-Asset Passive	+11.1	+10.8	+0.3	-
Allianz [Ex-Rogge]	Multi-Asset Bonds	-3.9	-3.4	-0.5	+1.5
CQS (LCIV & Direct)	Multi-Asset Credit	+2.5	+4.2	-1.7	-
Oak Hill	Multi-Asset Credit	+2.9	+4.2	-1.3	-
CCLA / LAMIT	Property	+21.8	+23.1	-1.3	+1.0
Nuveen (via JH)	Property	+22.5	+23.1	-0.6	+1.0
L&G	Property	+22.6	+23.1	-0.5	+1.0
Schroders	Property	+18.8	+23.1	-4.3	+1.0

In the most recent year, of the 12 mandates (or sub-mandates) separately reported (that have a continuous performance record over the period) one outperformed the benchmark and no mandate exceeded (or equalled) any additional performance target. 10mandates under-performed the index and one – a passive mandate – equalled it.

3 Years ending 31st March 2021

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
UBS	UK Equity & IL Passive	+5.6	+5.6	0.0	-
Baillie Gifford (LCIV)	Global Equity	+12.9	+13.9	-1.0	+2.0
Longview (LCIV)	Global Equity	+10.9	+15.2	-4.3	+2.0
RBC (LCIV)	Global Equity	N/A	N/A	N/A	+2.0
Janus Henderson	UK Corporate Bonds	+2.1	+1.8	+0.3	+0.6
L&G	Multi-Asset Passive	+10.8	+10.7	+0.1	-
Allianz [Ex-Rogge]	Multi-Asset Bonds	+2.4	+1.8	+0.6	+1.5
CQS (LCIV & Direct)	Multi-Asset Credit	+3.3	+4.4	-1.1	-
Oak Hill	Multi-Asset Credit	+4.1	+4.4	-0.3	-
CCLA / LAMIT	Property	+8.4	+8.1	+0.3	+1.0
Nuveen (via JH)	Property	+8.4	+8.1	+0.3	+1.0
L&G	Property	+7.9	+8.1	-0.2	+1.0
Schroders	Property	+7.2	+8.1	-0.9	+1.0

Of the 12 mandates (or sub-mandates) separately reported that have been operating for 3 years or more five outperformed the benchmark index although no mandate exceeded any additional performance target. Six mandates under-performed the index and one – a passive mandate – equalled it).

Alternatives / Private Asset Performance

The following are the private managers' returns, where established, in local currency to 31 March 2022.

Manager (Currency)	Mandate / Asset Class	Target Return / Benchmark % pa	Net Internal rate of Return (IRR)* %
JP Morgan (USD)	Infrastructure	+6.0	+7.4
Pantheon (USD)	Infrastructure	+6.0	+15.1
LCIV RI (GBP)	Infrastructure	+6.0	N/A
Brightwood (USD)	Private Debt	+6.0	+6.4
Churchill (USD)	Private Debt	+6.0	+5.1
Permira (GBP)	Private Debt	+6.0	+8.6

* The above mandates, due to their intermittent cash flows, are typically measured by Internal Rate of Return (IRR), which equates to an annualised return (average geometric annual return)

Managers' Benchmarks & Performance Targets

Manager	Mandate	Benchmark	Target pa %
River & Mercantile	UK Equity	FTSE All-Share Index (Total Return)	+2.0
UBS	UK Equity & IL Passive	94% FTSE All Share,6% FTSE Actuaries Government Securities Index Linked > 5 Year	-
Baillie Gifford (LCIV)	Global Equity	MSCI World All Countries Unhedged (Gross Dividend Re-invested)	+2.0
Longview (LCIV)	Global Equity	MSCI World Unhedged (Total Return)	+2.0
RBC (LCIV)	Global Equity	MSCI World Index Net	+2.0
Janus Henderson	Active	Solactive L&G ESG Global Markets Net; iBoxx Sterling Non- Gilt Index	+0.6
L&G [after Future World global]	Multi-Asset Passive	Markit iBoxx GBP Non-Gilts (AllStocks) *Floating weights from 01.05.18*	-
Allianz (formerly Rogge)	Multi-Asset Bonds	80% IBOXX All Stocks Corporate Bonds, 20% FTSE Actuaries Govt Securities Index – Linked > 5 years	+1.5
CQS	Multi-Asset Credit	SONIA + 4%	-
Oak Hill	Multi-Asset Credit	SONIA + 4%	-
CCLA / LAMIT	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0
Nuveen	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0
L&G	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0
Schroders	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0

The above reflect adjustments to the L&G Multi-Asset mandate carried out in 2021/22.

SECTION 3 - SCHEME ADMINISTRATION REPORT

Overview

The Pensions Shared Service (the Service) is part of the Financial Services Division of the Resources Department, Richmond and Wandsworth Councils. The Service provides pension and compensation services to current and former employees and pensioners of Camden, Merton, Richmond, Waltham Forest and Wandsworth Councils. The service provided includes the full range of administrative duties for an employing and administering authority as follows:

a) Administering the Local Government Pension Scheme (LGPS) as an Employing and Administering Authority in accordance with relevant legislation and Committee decisions.

b) Administering the Teachers' Pension Scheme (TPS) and National Health Service Pension Scheme (NHSPS) as an employer.

c) Administering the Councils' early retirement arrangements and local policies for discretionary elements in accordance with relevant legislation and Committee decisions.

d) Maintains a central staff filing system for each employee/scheme member of the Councils.

e) Providing advice to Scheme members, the Directors Boards (or equivalent) and the Councils on options available under the pension schemes.

f) Contribute to national policy formulation on pensions to reflect the employers' preferred approach.

g) Prudently manage the budgets under the Service's control.

h) Exploit information technology to improve service standards and efficiency.

i) Train and develop staff to meet these service objectives.

The Pensions Shared Service comprises an establishment of 34 FTE staff working across two teams dealing with all aspects of pensions administration except investments. The work of each team is set out below:

Data and Communications

The team is managed by a Business Change Manager with a team of 11 staff dealing with the receipt of electronic data, maintaining the pensions administration system, providing support to the other teams by way of streamlining the processes of calculating and notifying benefits. The team is responsible for new entrants to the scheme and the payment of refunds of contributions for early leavers. The team also deals with the annual processing for end of year and benefit statements, ad hoc projects and undertakes the initial stages of training new staff joining the Service.

The team includes staff undertaking employer's functions for members of the LGPS contributing across the Service. The main areas of responsibility for these staff is the monitoring of monthly contribution payments for over 200 external employers/payroll providers, the employer duties for teachers, LPFA and NHS scheme members and providing detailed advice on admission to the pension scheme for external employers following tendering and academy conversions. These staff also deal with redundancy and compensation benefits for employees and undertakes ad-hoc projects.

Benefits

The team is managed by a Pensions Manager (Benefits) with a team of 20 staff. The team deals with all benefit entitlements for pensioners, retirement, re-employment, death benefits, transfers in to the scheme and early leaver entitlements such as deferred benefits or transfers out to other arrangements. The team is also responsible for the input of new entrants and changes to the Pensions Payrolls for the Service.

In addition to carrying out the day-to-day functions of pensions administration, the Service formulates Council policies within the legislative framework of regulations under the LGPS, TPS, compensation, age discrimination and HM Revenue and Customs' rules. This includes commenting on changes to legislation and Government policy.

General

There is a Suggestions and Complaints procedure available to any person who wishes to suggest or complain about the Service. Details of individual complaints along with the overall number of complaints are reported each year. There is also a two-stage statutory Independent Dispute Resolution Procedure within the LGPS regulations. Details of this procedure are available on the Pensions Shared Service website at https://pensionssharedservice.org.uk/ or on request.

The Head of Service is Martin Doyle and his deputy is Carrie Adubofour in her role as Pensions Administration Manager. The team managers are: Duncan Derbyshire (Pensions Manager - Benefits) and Gabriela Olimon (Data and Communications). The managers of the service can be contacted by email to pensions@richmondandwandsworth.gov.uk. The Service reports to the Council's Assistant Director of Resources (Financial Services), Paul Guilliotti.

Review of 2021/22

The majority of staff work continue to work remotely for the majority of the working week.

Since the pandemic restrictions have been lifted, the PSS has strengthened its performance of key tasks. its continued to undertake work outside of its normal case work to improve the service for the future. Work is ongoing for the following:

a) Guaranteed Minimum Pension (GMP) reconciliation – the process of comparing the Pension Fund's GMP information with that held by HMRC – is progressing. Mercers are due to complete a fresh analysis of the differences between HMRC data and the Fund's records. The next steps will be to begin the delivery phase of the reconciliation project – amending pension records and pensioners payroll. The Pensions Committee and Board will be kept informed of progress.

b) Member Self Service (MSS) – rollout continues. The expectation is that this online portal will become the default method of Pensions Shared Service communication with members and improvement in customer service and information exchange is expected.

   MSS is the simple and secure way for scheme members to:
   a. view their pension records;
   b. make changes to their personal information such as address, email and phone details, etc.
   c. make a death grant nomination;
   d. run calculations including retirement estimates;
   e. view documents such as their latest annual benefit statement;
   f. contact the Pensions Shared Service with any questions.

c) i-Connect - the key to delivering efficiencies in our pensions administration is the full implementation of i-Connect which allows for the automation of transfer of member data from employers' payroll systems to the pensions administration system on a monthly basis, thus reducing the need for manual inputting; reducing the workload of end-of-year reconciliation and ensuring the maintenance of a stable and accurate membership database.

   i-Connect brings many benefits for employers including maintaining data in line with statutory rules and a beneficial impact on employer pension contribution rates. Accurate member records mean a better service for members.

   99.99% of Wandsworth Pension Fund active scheme members have their records updated monthly through i-Connect.

Dispute Resolution

There are set procedures in the Local Government Pension Scheme Regulations for dealing with disputes about the pension scheme. This is the Internal Dispute Resolution Procedure (IDRP). Under the procedure initial complaints are considered by the adjudicator, Assistant Director of Resources (Revenues), at Stage 1. If a complainant still has a dispute this may then be referred at Stage 2 to the Assistant Director of Resources (Financial Services). After this a further referral is available to the Pensions Ombudsman (PO). Shown below are statistics and a commentary for cases considered under IDRP for the past two years.

IDRP - Number of appeals	**20/21**	**21/22**
In progress at start of year	0	0
New appeals during the year	0	4
In progress at end of year	0	1

IDRP	20/21			21/22		
	1st stage	1st stage	1st stage	1st stage	2nd Stage	PO
Complaint Not Upheld	1	1	1	3	0	0
Complaint Upheld	0	0	0	0	0	0
Withdrawn	0	0	0	0	0	0

2021/22

At the start of the year there were no cases in progress, four fresh applications were made during the year. Two applications related to entitlements to death grant lump sums and one related to a request for compensation in lieu of a historic transfer. All three were not upheld at the first stage of IDRP. The fourth application requesting a review of the Councils' decision not to award ill health retirement benefits was still in progress at the end of the year.

SECTION 4 - ACTUARIAL REPORT ON FUND

Wandsworth Council Pension Fund

Actuary's Statement as at 31 March 2022

Introduction

The last full triennial valuation of the Wandsworth Council Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 26 March 2020. (https://www.wandsworth.gov.uk/media/6412/wandsworth_pension_fund_valuation_report_2019.pdf).

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The market value of the Fund's assets as at 31 March 2019 was £2,387m. For funding purposes, this market value is adjusted to be on a smoothed basis (consistent with the value of liabilities) and to allow for a 10% asset shock reserve. The smoothed value of the Fund's assets as at 31 March 2019 for valuation purposes was therefore £2,135m.
- The Fund had a funding level of 105% i.e. the smoothed assets were 105% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £100m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 19.6% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumptions	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	4.5% p.a.
Demographic assumptions	
Post-retirement mortality	Male/Female
Member base tables	S3PA
Member mortality multiplier	110%/105%
Dependant base tables	S3DA
Dependant mortality multiplier	70%/80%
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.5
Initial addition to improvements	0.5% p.a.

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2022 have been strong. As at 31 March 2022, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

However, future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to reductions and suspensions of dividends during the pandemic.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2022, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases.

Overall position

On balance, we estimate that the funding position has improved slightly when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption). The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023. As part of the 2022 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Graeme D Muir FFA
Partner, Barnett Waddingham LLP

Early Retirement within the LGPS

The Councils have powers to make discretionary payments under the LGPS. These mainly relate to payments for early retirements. The Councils are also required to decide upon entitlements for ill health retirement benefits in accordance with the regulations. The Councils requires capital payments from Revenue into the Pension Fund at the time of each retirement to pay for all early and ill health retirements. Accordingly, funding risks are minimised. Capital payments into the Pension Fund for early retirements during 2020/21 and 2021/22 were £357,107 and £1,314,852 respectively.

The table below gives details of the number of each type of case and the text following the table gives a brief description of each type.

Type of Early Retirement	Number in 20/21	Number in 21/22
Ill Health from active	8	10
Redundancy	23	29
Efficiency of the Service	1	0
Compassionate Retirement	0	0
Total	**32**	**39**
Total Capitalised Payments	**£357,107**	**£1,314,852**

Under the LGPS it is possible to receive payment of accrued pension benefits early depending on the reason membership of the LGPS ends. The LGPS regulations permit early retirement on the following grounds:

Ill Health – at any age where the employer terminates the member's employment on the grounds of permanent ill health. In this case the member receives their accrued pension benefits plus, in most cases, the pension will be increased. The level of ill health retirement benefits depends on how capable the member is of sustaining gainful employment after they leave.

Redundancy – from age 55 where the employer terminates the member's employment on the grounds of redundancy. In this case, the member receives their accrued pension benefits without any reduction for the early payment.

Efficiency of the Service - from age 55 where the employer terminates the member's employment on the grounds of business efficiency. In this case, the member receives their accrued pension benefits without any reduction for the early payment.

Compassionate retirement - from age 55 where the member leaves employment to care for a close relative suffering from a long-term illness full time, has no other source of income and opportunities for other employment are severely limited.

SECTION 5 - GOVERNANCE COMPLIANCE STATEMENT

Introduction

In accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013 the Council is required to prepare, maintain and publish a written governance statement addressing certain issues.

Regulation 55 is reproduced as follows: -

(1) An administering authority must prepare a written statement setting out-

whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

if the authority does so-

the terms, structure and operational procedures of the delegation,

the frequency of any committee or sub-committee meetings,

whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

(4) An administering authority must publish its statement under this regulation, and any revised statement.

Governance for the Wandsworth Pension Fund

The Wandsworth Pension Fund operates in a regulatory and governance framework that includes government departments, regulators and advisers.

The following illustration shows the relationship between these bodies:

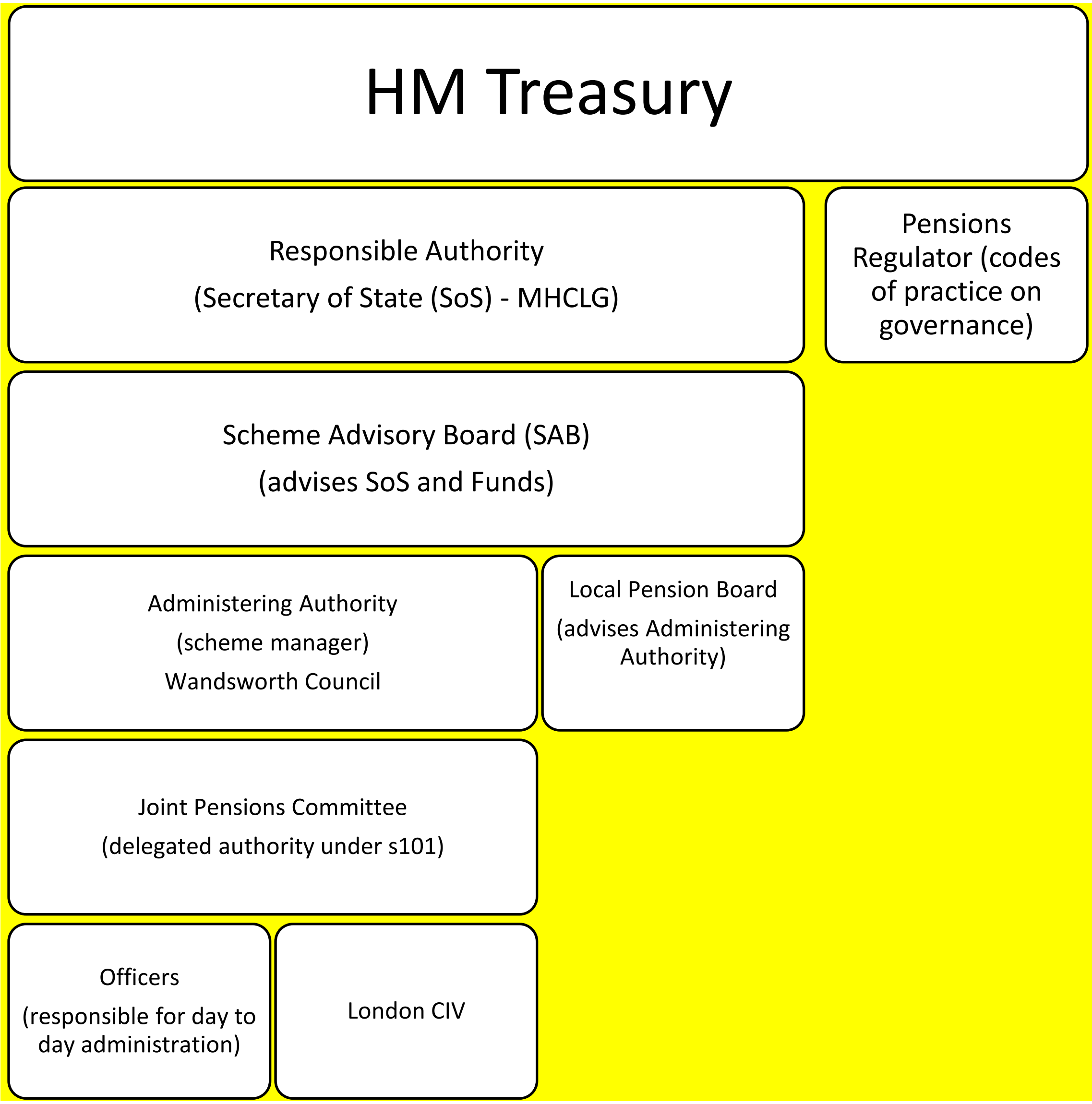
HM Treasury - has oversight over the government departments that sponsor public sector pension schemes and apply the cost control mechanism;

Ministry of Housing, Communities & Local Government (MHCLG) – in consultation with HM Treasury develops new LGPS legislation with advice from the Scheme Advisory Board (SAB);

The Pensions Regulator – ensures that statutory objectives are met by administering authorities and employers and seeks to improve scheme administration;

The administering authority (known under the Local Government Pension Scheme Regulations 2013 as the “scheme manager”) – is Wandsworth Council. Sections 101 and 102 of the Local Government Act 1972 allows administering authorities to delegate decision making to a pensions committee;

The Local Pension Board – makes recommendations to the administering authority when requested in order to improve administration or governance of the fund.



London CIV

The London CIV (LCIV) was formed as by the 33 London Boroughs in 2014 to pool their LGPS investments. It received regulatory authorisation from the Financial Conduct Authority in November 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation as an Authorised Contractual Scheme (ACS) Fund.

The governance structure of the LCIV has been designed to ensure that there are both formal and informal routes to engage with the investing Funds both as shareholders and investors, making the LCIV accountable at both levels. Governance is achieved through the Sectoral Joint Committee, comprising nominated Member representatives from each investing Fund within the pool. In addition there is an Investment Advisory Committee ("IAC") formed of nominated officers from the investing Boroughs.

As an FCA Authorised Contractual Scheme, the CIV is required to publish a prospectus which details how the CIV will operate including the valuation, pricing and administration of the Scheme.

Joint Pensions Committee

The detail of the governance structure for the Council is set out in detail in the Council's Constitution, which is available here: https://democracy.wandsworth.gov.uk/documents/s75908/PART%201%20-%20Summary%20and%20Explanation.pdf

The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure efficient and transparent decision making which is accountable to local people.

The Constitution allows for the appointment of a Joint Pensions Committee which has responsibility for the discharge of all executive functions assigned to it.

The terms of reference, structure and operational procedures of delegations for the Joint Pensions Committee is available here: https://democracy.wandsworth.gov.uk/documents/s75950/PART%203%20-%20Appendix%20G%20-%20ANNEX%20-%20Joint%20Pensions%20Committee%20Procedure%20Rules.pdf

The frequency of committee meetings is in accordance with the above Terms of Reference for the Joint Pensions Committee.

Joint Pensions Committee membership is determined in accordance with the Council's Constitution and does not include Scheme members or representatives of other employers.

Scheme employers (and other interested parties) are consulted on decisions that affect them.

Scheme members have an interest in benefit levels and the administration and service they receive when dealing with their pension rights. All Scheme members who contact the Pensions Service with a calculation request are sent a user satisfaction survey. This enables the member to comment, anonymously if they wish, on the service they have received, to make any suggestions for improvements or register dissatisfaction if appropriate.

Local Pension Board

The Council has established a local Pension Board to assist with securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator ensuring the effective and efficient governance and administration of the Pension Fund. The terms of reference, structure and operational procedures of delegations for the Board is available here: https://democracy.wandsworth.gov.uk/documents/s46109/Paper%20No.%2016-407%20-%20Membership%20of%20the%20Local%20Pension%20Board.pdf

The frequency of Board meetings is three meetings per year.

Compliance with statutory guidance

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State. The guidance and compliance levels are set out in Appendix 1.

Review of statement

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

Version	**Nature of Change**	**Implemented**
V1	Initial Creation (Paper No. 06-324)	March 2006
V2	Reference to statutory guidance from CLG (Paper No. 09-150)	January 2009
V3	Replace references General Purposes Committee and Finance Sub-Committee with the Pensions Committee (Paper No. 10-591)	July 2010
V4	Reflecting the introduction of Local Pension Boards and the Joint Pensions Committee (LPB Paper No. 20-315)	October 2020

GOVERNANCE COMPLIANCE STATEMENT

Appendix 1: Compliance with statutory guidance on Local Government Pension Scheme Governance.

Principle	Wandsworth's Approach	Compliance
STRUCTURE		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	The Council delegates the management of pension fund to Joint Pensions Committee as set out in their terms of reference.	Compliant
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.	Representatives of the employers and scheme members are Pension Board members, rather than members of the Joint Pensions Committee.	Partially Compliant
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	There is no secondary committee. All Pension Fund matters are considered by the Joint Pensions Committee and Local Pension Board.	N/A
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.	There is no secondary committee. All Pension Fund matters are considered by the Joint Pensions Committee and Local Pension Board.	N/A
COMMITTEE MEMBERSHIP AND REPRESENTATION		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- employing authorities (including non-scheme employers, e.g. admitted bodies); scheme members (including deferred and pensioner scheme members),	Expert advisers attend the Joint Pensions Committee. For example, the actuary attends when the valuation is being considered and the investment consultant attends when strategic asset allocation decisions and investment matters are being discussed. Representatives of the employers and scheme members are Pension	Partially Compliant

where appropriate, independent professional observers, and expert advisors (on an ad-hoc basis).	Board members, rather than members of the Joint Pensions Committee . Additionally the Council's Constitution allows citizens or other interested bodies the right to request the Council and certain of the Council's committees and subcommittees to receive deputations from persons wishing to address councillors on agenda business to be discussed.	
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.	N/A	N/A
SELECTION AND ROLE		
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.	As set out in terms of reference of the Joint Pensions Committee.	Compliant
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	This is a standing item on the Joint Pensions Committee agenda.	Compliant
VOTING		
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.	As set out in terms of reference of the Joint Pensions Committee.	Compliant
TRAINING/FACILITY TIME/EXPENSES		
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	This falls within the Council's normal approach to member expenses. Members are given initial and ongoing training to support them in their role as trustees.	Compliant

respect of members involved in the decision-making process.		
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.	The policy applies equally to all members. All members enjoy voting rights.	Compliant
MEETINGS (FREQUENCY/QUORUM)		
That an administering authority's main committee or committees meet at least quarterly.	As set out in terms of reference of the Joint Pensions Committee.	Compliant
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.	There is no secondary committee. All Pension Fund matters are considered by the Joint Pensions Committee and Local Pension Board.	N/A
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	Lay members are represented on the Pensions Board	Compliant
ACCESS		
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.	All members have equal access to committee papers, documents and advice.	Compliant
SCOPE		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	As set out in terms of reference of the Joint Pensions Committee and Local Pension Board.	Compliant
PUBLICITY		
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.	All meeting minutes, reports and Pension Fund policies are published on the Council's website. There is also a vacancies page for the Local Pension Board on the Pensions Shared Service website.	Compliant

Commentary on Governance Activity

During the course of 2016/17 the former Pensions Committee was reconstituted in recognition of the fund merger as the "Joint Pensions Committee" with three elected members from London Borough of Richmond being added to its membership.

In 2021/22 the Committee held four conventional quarterly meetings on 10 June 2021, 7 September 2021, 8 December 2021 and 16 March 2022. All of the above meetings were held in the Council Chamber at Wandsworth Town Hall, with a "hybrid" capability for non-voting attendees to participate "virtually", if required.

The Committee Reports detailed here are available on the internet by following the link to Reports and Minutes at:
https://democracy.wandsworth.gov.uk/ieListMeetings.aspx?CId=634&Year=0

A brief commentary of the items considered at each meeting is given below.

10 June 2021 at 7.30 p.m.

Paper No. 21-127 presented the Audit Plan for the 2020/21 Pension Fund Accounts.

Paper No. 21-128 concerned "General Matters", comprising: an Audit Report on The Pensions Regulator (TPR) Code of Practice 14 requirements (in relation to the Fund); the Scheme Advisory Board's (SAB) Draft Good Governance Report; the McCloud judgement (statutory underpin); the Fund's cash management; the London Collective Investment Vehicle (LCIV); progress regarding the transition of the UK equity portfolio.

Paper No. 21-129 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 21-130 (exempt) concerned options for the scheduling of the Fund's agreed equity transition.

In addition, the Committee received a presentation from LCIV and Baillie Gifford (under exempt business).

7 September 2021 at 7.45 p.m.

Paper No. 21/227 presented the Fund's 2020/21 Accounts and associated Audit Report.

Paper No. 21-228 presented the Pension Fund Annual Report for 2020/21.

Paper No. 21-229 concerned "General Matters", comprising: UK equity transition; training policy; currency hedging strategy; the Local Pension Board's Annual Report; an update of the Pensions Shared Service (PSS); the London Collective Investment Vehicle (LCIV); the implications for the Fund of the Taskforce on Climate-related Financial Disclosures (TCFD).

Paper No. 21-230 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 21-231 presented the minutes from the Local Pension Board's meeting held on 13 July 2021.

In addition, the Committee received a presentation from JP Morgan (under exempt business).

8 December 2021 at 7.45 p.m.

Paper No. 21-379 presented the minutes from the Local Pension Board's meeting held on 1 November 2021.

Paper No. 21-380 concerned revised Local Pension Board Governance Arrangements.

Paper No. 21-381 concerned a review of discretionary provisions with the LGPS.

Paper No. 21-382 concerned "General Matters", comprising: various aspects of the ongoing transition of assets to the revised strategic allocation; training policy; and specific issues in relation to 3 of the fund's asset managers.

Paper No. 21-383 concerned pension fund investment performance and aggregate Fund value / asset allocation.

In addition, the Committee received a presentation from Allianz (under exempt business).

16 March 2022 at 7.45 p.m.

Paper No. 22-106 presented the Audit Plan for the 2021/22 Pension Fund Accounts.

Paper No. 22-105 presented the Pension Fund Revenue Budget for 2021-25.

Paper No. 22-107 presented a revised Fund Communications Policy.

Paper No. 22-108 concerned the Fund's approach to the Taskforce on Climate related Financial Disclosures (TCFD).

Paper No. 22-109 concerned "General Matters", comprising: training policy; LCIV; objectives for the Fund's Investment Adviser; the Russian/Ukraine conflict; the Government's Levelling Up White Paper.

Paper No. 22-110 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 22-111 presented the minutes from the Local Pension Board's meeting held on 8 February 2022.

Paper No. 22-112 (exempt) outlined possibilities for further investment in a range of renewable infrastructure sub-asset classes.

<u>Local Pension Board</u>

Under the terms The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 the fund operates a Local Pension Board.

The Board now meets three times and 2021/22 met on: 13 July 2021, 1 November 2021 and 8 February 2022. Details of the meetings (including agenda, reports and minutes) can be found at:

https://democracy.wandsworth.gov.uk/ieListMeetings.aspx?CId=595&Year=0

Conflicts of Interest

The Pension Fund is governed by elected members acting as trustees and accordingly the Council's agreed Code of Conduct for elected members and accompanying guidance sets out how any conflicts of interests involving elected members acting as trustees can be addressed. This is available at Elected Members Code of Conduct

The Code includes provisions dealing with an elected member's general obligations to treat others with respect and not to bully, intimidate or do anything that compromises the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about declaring and registering via a public register "disclosable pecuniary interests (DPI)" and other relevant personal interests and the action a member must take when they have such an interest in Council business, for instance, in the case of a DPI, withdrawing from the room or chamber when a matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

SECTION 6 - STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the chief financial officer
Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the chief financial officer has:

selected suitable accounting policies and then applied them consistently
made judgements and estimates that were reasonable and prudent
complied with the local authority Code.

The chief financial officer has also:

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

CERTIFICATE

I certify that the statement of accounts gives a true and fair view of the financial position of the Pension Fund of Wandsworth Council at the end of the period to which it relates and its income and expenditure for that period, including any material events occurring after the net assets statement date, until the date of this certificate.

Signatures

Fenella Merry	Councillor Norman Marshall
Director of Resources	Chairman of Joint Pensions Committee

Independent Auditor's Report to the Members of Wandsworth Borough Council

The external audit of the draft statement of accounts for the year ended 31 March 2022 has not yet been completed by our external auditors, EY LLP, due to the audit of the financial statement remaining ongoing while auditors are finalising their audit procedures. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made). Therefore this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2021/22 final statement of accounts in line with deadline of 30th September 2022, as per paragraph (1). The Joint Pensions Committee considered the provisional results of the 2021/22 audit at its meeting on 7th September 2022, and approved the accounts subject to the final audit opinion confirming no material issues. We will publish the final audited accounts on receipt of the final opinion from EY LLP.

Wandsworth Fund Account

2020/21 £000		Note	2021/22 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(63,786)	Contributions receivable	Note 8	(68,372)
(11,304)	Transfers In from Other Pension Funds	Note 9	(10,037)
(75,090)			(78,409)
79,214	Benefits payable	Note 10	80,405
4,850	Payments to and on account of Leavers	Note 11	9,960
84,064			90,365
8,974	**Net (Additions)/Withdrawals from Dealings with Members**		**11,956**
9,841	Management Expenses	Note 12	12,855
18,815	**Net (Additions)/Withdrawals including Fund Management Expenses**		**24,811**
	Returns on Investments		
(44,803)	Investment income	Note 13	(45,909)
216	Taxes on income	Note 13	269
(556,313)	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	Note 16	(108,957)
(600,900)	**Net Returns on Investments**		**(154,597)**
(582,085)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(129,786)**
(2,163,736)	Opening Net Assets of the Fund		(2,745,821)
(2,745,821)	**Closing Net Assets of the Fund**		**(2,875,607)**

Net Assets Statement

31st March 2021 £000		Note	31st March 2022 £000
	Investment Assets		
2,639,376	- Investment Assets		2,840,692
105,288	- Cash Deposits with FM		50,695
(6,932)	Investment Liabilities		(26,785)
2,737,732	**Total Net Investments**	Note 15	**2,864,602**
	Long term Assets		
300	- CIV Long Term Capital (Founders' Shares)		300
1,103	- Long Term Debtor	Note 29	1,520
2,739,135	**Total Long Term Assets**		**2,866,422**
	Current Assets		
1,663	- Cash Deposits with Bank	Note 30	10,008
8,094	- Current Assets (excl. bank)	Note 30	1,882
9,757			**11,890**
(3,071)	Current Liabilities	Note 30	(2,705)
(3,071)			**(2,705)**
2,745,821	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**2,875,607**

Note: The Fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 28.

Notes to the Wandsworth Pension Fund Accounts

Note 1 Description of the Fund
The Wandsworth Pension Fund (the Fund) is part of the LGPS and is administered by Wandsworth Council.

a) General
The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:
- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Wandsworth Council to provide pensions and other benefits for pensionable employees of Wandsworth Council, Richmond Council, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Joint Pensions Committee, which is a committee of Wandsworth Council, and includes representatives from both Wandsworth and Richmond Councils.

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

Organisations participating in the Wandsworth Pension Fund include the following:
- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, where the employer has been designated by a scheduled body as being eligible for membership.

Membership details are set out below:

31st March 2021		31st March 2022
68	**Number of Employers with Active Members**	**69**
	Number of Employees in the Fund	
8,456	Councils (LBRuT & WBC)	8,101
3,019	Other Employers	2,923
11,475	**Total**	**11,024**
	Number of Pensioners (including dependants)	
9,594	Councils (LBRuT & WBC)	9,847
1,126	Other Employers	1,198
10,720	**Total**	**11,045**
	Number of Deferred Pensioners	
15,364	Councils (LBRuT & WBC)	15,944
3,303	Other Employers	3,773
18,667	**Total**	**19,717**
40,862	**Total Number of Members in the Fund**	**41,786**

c) Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019 with the March 2022 valuation currently in progress. The employer contribution rates that applied in the 2021/22 year ranged from 17.4% to 32.0% of pensionable pay with an overall Fund primary rate of 19.6%.

d) Benefits
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website – see www.lgpsmember.org

Note 2 Basis of Preparation
The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis (see Note 3)

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, can be adopted by the Code for accounting periods commencing on or after 1 April 2022 but is not required until 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

The Accounts report on the Net Assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the Notes to the Accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 28 .

Note 3 Going Concern

The accounts have been prepared on a going concern basis. The Wandsworth Pension Fund remains a statutory open scheme, with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events. All LGPS funds are required to have a Triennial Valuation, where the actuary estimates the net present value of likely future pension payments (taking into account likely pay growth, inflation and longevity) and compares this to the net present value of assets (taking into account growth in market value, reinvestment of returns and so on). This gives a net funding position which is used to decide what contributions are needed for the next 3 years to move towards an acceptable position over up to 20 years.

The Fund's 2019 valuation gave a 105% funding level after allowing for a 10% asset shock reserve (approx. £0.2bn). The asset shock reserve was created to allow for smoothing of market volatility and therefore was available to mitigate the loss of £0.2bn in asset value during 2019/20. This loss was mainly due to market volatility and not any intrinsic impairment to the underlying assets (although some may have an ongoing loss due to changes to the economy and behaviours once a new normal is established). The 105% funding level means that the Fund should be able to make all anticipated future pension payments with a 5% margin for estimation error. The Wandsworth Pension Valuation Report 2019 gives further information on the valuation process and Note 28 gives a summary.

The 2022 valuation will be based on Fund data at 31st March 2022 and is therefore now in progress with results expected towards the end of 2022.

The investment return required in the valuation of 4.5% is a long-term assumption taking into account market volatility and compares favourably with the actual return of 11% over the 3 years since the 2016 valuation (which assumed 4.7% return). The annual return to 31st March 2022 reported to June Committee was +5.3% (the Fund's benchmark was +10.4%), and total assets valued at £2.9bn. These values include the impact of the market losses due to concerns over the conflict in the Ukraine. This return was above that used in the valuation again supporting the going concern assumption.

In the short term, the Fund is dependent on cash flows to make pension payments required by LGPS regulations.

The Fund recognises it is cash flow negative in dealings with members and therefore has existing plans in place to cover this cash deficit from investment returns and potentially liquidation of assets if needed in later years. The going concern assumption therefore also considers the medium term position of the Fund. The Fund sets a 3 year cash flow budget every March which shows estimated income and outgoings and returns on investments which can be used to maintain liquidity or for reinvestment as needed. The Fund held £60.7m in cash at 31st March 2022 (see Note 26) and currently has a 55% asset allocation to equity (£1.7bn at 31st March 2022) which could be liquidated quickly if needed. This demonstrates the Fund's short and medium term going concern status.

Richmond and Wandsworth councils represented 73% of regular employer contributions to the Fund during 2021/22, and as administering authority, Wandsworth is the funder of last resort. The Fund therefore received the majority of its income from public bodies backed by the government, as well as having recourse to one of these bodies for short term lending if needed, giving a high level of certainty over cashflows. The Fund has the power to borrow to fund benefit payments or for investment when repayment can be made within 90 days under Statutory Instrument 2016/946.

Note 4 Summary of Significant Accounting Policies
Fund Account – revenue recognition

a) Contribution income
Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes
Transfers in and out relate to members who have either joined or left the fund.
Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 31) to purchase scheme benefits are accounted for on a cash receipts basis and are included in Transfers In (Note 9).
Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. Where the agreement sets a date for the transfer, estimated values are recognised on this date where estimation is possible. Where no date is set, or accurate estimation is not possible, transfers are recognised on a cash basis.

c) Investment income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
Rental income is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due. The Fund does not currently own any directly held property.
Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Fund discloses its pension fund management expenses (which includes fees charged by the LCIV) in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	The overall costs of the pensions administration team (including staffing, accommodation, management and other overheads) are analysed and the proportion of these costs relating to administering the Fund are charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are

	shown in Note 12 and grossed up to increase the change in value of investments. Fees charged by external investment managers and the custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has paid performance related fees to Oakhill (MAC), Nuveen UKPF (Property) and JP Morgan (Infrastructure). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The proportion of the time spent by Council officers on investment management activity is recharged to the Fund.

Net Assets Statement

g) Financial assets
LCIV Long Term Capital represents regulatory capital of the LCIV, the investment is not repayable on demand. This is not an investment, this is a regulatory requirement to enable the Fund to participate in LCIV's pooling arrangements. Fair value at 31 March 2022 is cost as the shares are not tradable but can be redeemed for face value if the Fund were to withdraw from LCIV. This value includes both Wandsworth and Richmond shares due to the Funds having merged in 2016. Investments accessed via the LCIV are reported as such in the relevant asset class.

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2022, this value has been amended for calls and distributions since the reporting period and change in the exchange rate as the best estimate of fair value at 31st March 2022, in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 16. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the Fund Account. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties
Properties are valued as at the year-end date by independent external valuers on a fair value basis, see Note 19 for more details. The Fund only holds property investments via pooled vehicles.

i) Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.
Some pooled vehicles have internal currency hedging and in these cases the overall value shown for the investment will reflect the impact of the hedging; otherwise the value of open currency hedges will be shown separately to any related investments.

j) Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities, including currency exposure. The Fund does not hold derivatives for speculative purposes. The Fund does not use hedge accounting, showing derivative values and movements separate from the assets whose risks they are offsetting.

k) Long Term Debtors
Where the Fund makes a tax payment on behalf of a pensioner (under 2016 or other regulations) this payment is carried as a long term debtor. The debt is recovered by reducing their benefit payments by an actuarially assessed amount, and written down to the Fund Account over the relevant duration (see Note 29).

l) Cash and cash equivalents
Cash comprises cash in hand, demand deposits and money market funds, including amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Cash equivalents are pooled funds similar to liquidity money market funds. The Fund has not held any cash equivalents during this or the prior year.

m) Loans and receivables
Financial assets classed as amortised cost are carried in the Net Asset Statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

n) Financial liabilities
A financial liability is recognised in the Net Assets Statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis.

o) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 28).

p) Additional voluntary contributions
The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 31.

q) Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event has taken place prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes.

Note 5 Critical Judgements in Applying Accounting Policies

Pension Fund Liability
The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 27. Actuarial re-valuations are used to set future contribution rates and underpin the Fund’s most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Asset Valuations and Covid 19
Covid 19 has had an impact on financial markets and therefore the valuation of the Fund’s investments. The main impact was during 2019/20 and early 2020/21 when market values fell for almost all asset classes and the Fund’s pooled property investments were subject to material valuation uncertainty at 31st March 2020 and many property funds were closed to redemptions. Market pricing returned to around pre pandemic levels by 31st March 2021 and pricing from mid 2020/21 reflects the “new normal”. Therefore the impact of Covid 19 is seen mainly in the recovery related revaluation gain during 2020/21 shown on the Fund Account. Although the Fund’s pooled infrastructure investments include some transport infrastructure and pooled property includes office space, both of which will continue to be valued based on “new normal” demand for these assets.

Asset Valuations and the Conflict in Ukraine

The ongoing conflict between Russia and Ukraine has impacted financial markets. As at 31st March 2022 UK funds were unable to trade in assets in Russia due to UK government restrictions. Therefore any assets held were assigned nil fair value at that date due to the inability to realise the investment.

The Wandsworth Fund did not hold material direct investments in the area but had exposure (estimated at 0.11% of the Fund value at the end of February 2022) via pooled equity vehicles prior to this devaluation. The Fund also held debt and infrastructure investments with companies that had offices in the region where it is not possible to estimate a value at risk due to the diluted impact on the investment. Therefore there is no direct material impact on the Fund's accounts, although the uncertainty caused by the conflict will have impacted via wider market sentiment.

Private Debt and Infrastructure investments (Level 3 Investments)

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2022, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

Note 6 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts.

The judgements used in assessing asset values where manager valuations at 31st March 2022 are unavailable and the impact of the conflict in the Ukraine are detailed in Note 5. These assets are valued at £292.6m (Note 23) and a 1% change in value is £2.9m.

The use of currency hedging to mitigate future exchange rate risk is detailed in Note 20.

Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made. The items in the Net Asset Statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible the fund valuer uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £18.5m, on carrying values of £184.7m.

Infrastructure funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets in similar way to property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £16.2m, on carrying values of £161.6m.
Private debt funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets which are high yield debt instrument.	Changes in the valuation assumptions used, together with significant changes in credit rating of the counterparties could affect the fair value of debt-based investments by up to 10% i.e. an increase or decrease of £13.1m, on carrying values of £131.1m.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £65.5m a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £4.7m a one-year increase in assumed life expectancy would increase the liability by approximately £163.7m.

Note 7 Events After the Reporting Date

The figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of any information received post 31 March 2022 which reflect conditions as at the 31 March 2022. None of the information received gave rise to material changes and there no changes have been made.

The value of infrastructure and private debt assets in the accounts is estimated using the manager's valuation of 31st December updated for cash flows from 1st January to 31st March 2022 as manager valuations were not available while preparing the accounts. The managers' valuations at 31st March 2022 were received during audit and showed non-material differences to the estimated values. The accounts have not been amended but differences are reported here :

Asset Class	Estimated value 31st March 2021 £m	Manager reported value 31st March 2021 £m	Difference £m
Infrastructure	115.999	115.106	(0.893)
Private Debt	103.457	105.279	1.822
Total	**219.456**	**220.385**	**0.929**

Asset Class	Estimated value 31st March 2022 £m	Manager reported value 31st March 2022 £m	Difference £m
Infrastructure	161.572	166.147	3.269
Private Debt	131.056	132.747	1.691
Total	**292.628**	**298.894**	**4.960**

The conflict in Ukraine has continued to impact markets since 31st March. The impact of sanctions on UK institutions' ability to trade Russian assets was included in the year end position. The supply chain disruption caused by the conflict has continued, impacting the price of energy and commodities mined in the region and driving inflationary increases. The Fund had asset values of £2.865bn at 31st March 2022 and £2.753bn at 30th April 2022 (the latest available pricing). While the valuation at 31st March remains correct, the current value is included for information.

Note 8 Contributions Receivable

31st March 2021 £000		31st March 2022 £000
(16,040)	**Employees' Contributions**	**(17,095)**
(46,652)	Normal Contributions	(49,219)
(737)	Deficit Recovery Contributions	(743)
(357)	Augmentation Contributions	(1,315)
(47,746)	**Employers' Contributions**	**(51,277)**
(63,786)	**Total Contributions by Category**	**(68,372)**
(47,167)	Councils (LBRuT & WBC)	(50,308)
(9,373)	Scheduled Bodies	(10,114)
(2,750)	Admitted Bodies	(2,955)
(4,496)	Designated Bodies	(4,995)
(63,786)	**Total Contributions by Body**	**(68,372)**

Note 9 Transfers In from Other Pension Funds

31st March 2021 £000		31st March 2022 £000
(6,550)	Group Transfers	(660)
(4,754)	Individual Transfers	(9,377)
(11,304)		(10,037)

Group transfer in 2020/21 includes accrued estimated value (£6.6m) for the staff joining Achieving for Children (AfC) from the Royal Borough of Windsor & Maidenhead at the point that the actuary could estimate the likely value. This bulk transfer was settled at £7.2m on 31 March 2022 with the increase in value due to the timing of the receipt. The additional £0.7m is recorded as a bulk transfer in 2021/22, giving the total of £7.2m over 2 years.

Note 10 Benefits Payable

31st March 2021 £000		31st March 2022 £000
68,371	Pensions	69,651
9,020	Commutation and Lump Sum Retirement Benefits	9,604
1,823	Lump Sum Death Benefits	1,150
79,214	**Total Benefits by Category**	**80,405**
71,356	Councils (LBRuT & WBC)	72,635
3,561	Scheduled Bodies	3,374
3,662	Admitted Bodies	3,587
635	Designated Bodies	809
79,214	**Total Benefits by Body**	**80,405**

Note 11 Payments To and On Account of Leavers

31st March 2021 £000		31st March 2022 £000
153	Refund to Members Leaving Service	268
0	Group Transfers	0
4,697	Individual Transfers	9,692
4,850	**Total Payments to/on account of Leavers**	**9,960**

Note 12 Management Expenses

2020/21 £000		2021/22 £000
	Management Costs	
733	Administrative Costs	1,324
8,888	Investment Management Expenses	11,185
220	Oversight & Governance Costs	346
9,841	**Total Management Costs**	**12,855**

Administrative Costs have increased as a result of a review of the apportionment of the pension administration team’s costs.

Investment Management Expenses have increased due to a combination of the impact of increased value of assets under management and increased investment in more complex assets with higher fee levels.

Oversight & Governance Costs have increased due to a review of the apportionment of administering authority senior management time spent advising Joint Pensions Committee and Local Pensions Board.

2020/21 Investment Management Expenses	Total £000	Management Fees £000	Performance Fees £000	Transaction Costs £000
Bonds				
Allianz (ex-Rogge)	281	281		
Equity				
River & Mercantile	1,094	275	7	812
Pooled Property				
Aberdeen	10	10		
CCLA	26	26		
Janus Henderson managed Nuveen UKPF	443	443		
Legal & General	110	110		
Schroders	310	310		
Pooled Equity				
LCIV Global Alpha Growth - Baillie Gifford	1,263	1,263		
LCIV Global Equity Focus - Longview	1,728	1,728		
LCIV Legal & General passive overlay	23	23		
UBS	42	42		
Pooled Multi-Asset				
CQS	490	490		
LCIV MAC - CQS	297	297		
LCIV Diversified Growth Fund - Baillie Gifford (sold early in year)	6	6		
Legal & General Multi Asset	53	53		
Oakhill	990	655	335	
Pooled Infrastructure				
JP Morgan	544	544		
Pantheon	417	417		
Pooled Private Debt				
Brightwood	114	114		
Churchill	234	234		
Permira	136	136		
Derivatives - Currency Hedging for risk management				
Russell	107	107		
London CIV Fixed Costs	110	110		
Other	0	0		
Total paid to Fund Managers	**8,828**	**7,674**	**342**	**812**
Custodian - Custody Fees	60			
Total Investment Management Expenses	**8,888**			

2021/22 Detail of Investment Management Expenses	Total £000	Management Fees £000	Performance Fees £000	Transaction Costs £000
Bonds				
Allianz (ex-Rogge)	283	283		
Equity				
River & Mercantile (to November 2021)	410	150		260
Pooled Property				
Aberdeen	10	10		
CCLA	30	30		
Janus Henderson managed Nuveen UKPF (to February 2022)	525	525		
Legal & General	124	124		
Nuveen (UKPF) (from February 2022)	88	48	40	
Schroders *	430	430		
Pooled Equity				
LCIV Global Alpha Growth - Baillie Gifford	1,458	1,458		
LCIV Global Equity Focus - Longview	2,114	2,114		
LCIV Legal & General passive overlay	27	27		
LCIV Sustainable Equity - RBC	566	566		
UBS	29	29		
Pooled Multi-Asset				
CQS	429	429		
LCIV MAC - CQS	406	406		
LCIV Diversified Growth Fund - Baillie Gifford	0	0		
Legal & General Multi Asset	162	162		
Oakhill	1,003	894	109	
Pooled Infrastructure				
JP Morgan	616	548	68	
Pantheon	436	436		
LCIV Renewable Infrastructure	832	832		
Pooled Private Debt				
Brightwood	164	164		
Churchill	360	360		
Permira	296	296		
Derivatives - Currency Hedging for risk management				
Russell	144	144		
London LCIV Fixed Costs	110	110		
Other	0	0		
Total paid to Fund Managers	**11,052**	**10,575**	**217**	**260**
Custodian - Custody Fees	56			
Administering Authority monitoring cost	77			
Total Investment Management Expenses	**11,185**			

Transaction costs are defined as direct incremental costs of acquiring an asset, such as broker's commission. These are only available for segregated investments. Pooled investments report returns net of these direct costs due to the nature of the investment vehicle.

Administering Authority monitoring costs are an allocation of administering authority staff costs relating to monitoring investments.

* The Fund incurred £100k of commission on the acquisition of units in Schroders' property fund which were capitalised and therefore not included in Management Costs in the Fund Account.

Note 13 Investment Income

2020/21 £000		2021/22 £000
	Income from	
(9,253)	Equity	(3,871)
(6,929)	Bonds	(6,167)
(6,625)	Pooled Equity	(9,878)
(4,291)	Pooled Bonds	(3,653)
(3,032)	Pooled Property	(5,418)
(9,272)	Pooled Infrastructure	(10,003)
(5,308)	Pooled Private Debt	(6,903)
(93)	Cash Deposits	(16)
(44,803)	**Total Investment Income**	**(45,909)**
	Taxes on Income	
26	Overseas Withholding Tax on Equities	28
190	Overseas Withholding Tax on Pooled Vehicles	241
216	**Total Taxes on Income**	**269**

Property Income

The Fund only holds property under pooled vehicles. Income is disclosed in this category.

Note 14 External Audit Costs

31st March 2021 £000		31st March 2022 £000
21	Payable in respect of external audit	21
0	Prior Year Fee Adjustment (2019/20)	24
0	Prior Year Fee Rebate	(4)
21		**41**

The Fund has been in discussion with external audit regarding additions to the PSAA scale fee in relation to costs of Covid working and changes to audit guidance in respect of Level 3 asset valuations, among other areas. PSAA have now agreed an amendment to the 2019/20 audit fee. While it is anticipated there will be a similar amendment to the 2020/21 fee, this cannot be reliably estimated at this time.

Note 15 Investments

31st March 2021 £000		31st March 2022 £000
	Investment Assets	
195,332	Equities	0
219,410	Bonds	219,195
	Pooled Funds	-
1,529,368	- Equity	1,719,827
354,449	- Fixed Income	415,721
106,409	- Property	184,660
115,999	- Infrastructure	161,572
103,457	- Private debt	131,057
	Derivative Contracts	
295	- Futures	753
9,803	- Forward currency contracts	2,291
0	Cash Collateral	2,518
3,563	Investment Income Due	3,098
1,291	Amounts Receivable for Sales	0
0	Amounts Receivable for Pending Spot FX	0
2,639,376	**Other Investment Assets**	**2,840,692**
105,288	Cash Deposits	50,695
2,744,664	**Total Investment Assets**	**2,891,387**
	Investment Liabilities	
	Derivative Contracts	
(2)	- Futures	(143)
(3,521)	- Forward currency contracts	(17,331)
(3,163)	Amounts Payable for Purchases	(6,903)
(246)	Other Investment Liabilities	(2,408)
(6,932)	**Total Investment Liabilities**	**(26,785)**
2,737,732	**Net Investment Assets**	**2,864,602**

During 2021/22 the Fund started and completed the majority of investment changes arising from revised asset allocation percentages agreed in the revised Investment Strategy Statement approved by Joint Pensions Committee in September 2020. The changes were as follows:

	Prior Allocation	**New Allocation**	**Change**
UK Equity	24%	0%	-24%
Global Equity	36%	55%	+19%
MAC (fixed income)	4%	10%	+6%
Property	5%	6%	+1%
Infrastructure	7%	10%	+3%
Private Debt	8%	8%	
Corporate bonds (fixed income)	10%	10%	
ILGs (fixed income)	5%	0%	-5%
Cash	1%	1%	
Total	**100%**	**100%**	

These changes have impacted the amount invested in each asset class and the income earned from each class during the year.

Note 16 Reconciliation of Movements in Investments and Derivatives

Asset Category	Market Value 1 April 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2021
	£000	**£000**	**£000**	**£000**	**£000**
Equities	156,692	151,816	(143,256)	30,080	195,332
Bonds	199,373	132,331	(122,767)	10,473	219,410
Pooled Equity	1,138,955	3,608	(34,234)	421,039	1,529,368
Pooled Bonds	300,044	4,858	(4,671)	54,218	354,449
Pooled Property	104,481	622	0	1,306	106,409
Infrastructure	117,363	9,381	(1,096)	(9,649)	115,999
Private debt	60,750	64,839	(14,536)	(7,596)	103,457
Investments excl. Derivatives	**2,077,658**	**367,455**	**(320,560)**	**499,871**	**2,624,424**
Derivative Contract:					
Futures	(264)	1,795	(2,531)	1,293	293
Forward Currency Contracts	(5,299)	39,633	(83,968)	55,916	6,282
	2,072,095	**408,883**	**(407,059)**	**557,080**	**2,630,999**
Other Investment Balances:					
Cash Deposits	48,672			(773)	105,288
Amount Receivable for Sales & Investments	42,967			1	1,291
Investment Income Due	3,316			0	3,563
Spot FX Contracts	(1)			11	0
Amount Payable for Purchases of Investments	(7,739)			(6)	(3,163)
Cash Collateral	(596)			0	(246)
Obligation to Return Cash Collateral	0				0
Total Net Investments	**2,158,714**			**556,313**	**2,737,732**
Profit/(Loss) on Disposal of Investment & changes in Market Value				**556,313**	

Asset Category	Market Value 1 April 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2022
	£000	£000	£000	£000	£000
Equities	195,332	27,802	(234,895)	11,761	0
Bonds	219,410	119,669	(106,532)	(13,352)	219,195
Pooled Equity	1,529,368	388,276	(301,957)	104,140	1,719,827
Pooled Bonds	354,449	86,815	(28,382)	2,839	415,721
Pooled Property	106,409	52,517	(28)	25,762	184,660
Infrastructure	115,999	50,673	(11,249)	6,149	161,572
Private debt	103,457	26,363	(3,538)	4,775	131,057
Investments excl. Derivatives	**2,624,424**	**752,115**	**(686,581)**	**142,074**	**2,832,032**
Derivative Contract:					
Futures	293	2,161	(1,869)	25	610
Forward Currency Contracts	6,282	54,461	(42,402)	(33,381)	(15,040)
	2,630,999	**808,737**	**(730,852)**	**108,718**	**2,817,602**
Other Investment Balances:					
Cash Deposits	105,288			287	50,695
Amount Receivable for Sales & Investments	1,291			0	0
Investment Income Due	3,563			0	3,098
Spot FX Contracts	0			(47)	0
Amount Payable for Purchases of Investments	(3,163)			(1)	(6,903)
Cash Collateral	(246)			0	2,518
Obligation to Return Cash Collateral	0				(2,408)
Total Net Investments	**2,737,732**			**108,957**	**2,864,602**
Profit/(Loss) on Disposal of Investment and changes in Market Value				**108,957**	

Purchases and sales of derivatives are recognised as follows:

Futures – on close out or expiry the variation margins are recognised as cash receipts or payments, depending on whether there is a gain or loss.

Forward currency contracts settlements are reported as gross receipts and payments.

Note 17 Investments Analysed by Fund Manager

Market Value 31st March 2021 £000	%		Market Value 31st March 2022 £000	%
		Pooled Via London LCIV		
393,857	14.4	London LGPS LCIV (Longview Global Equity)	452,003	15.8
22	0.0	London LGPS LCIV (Allianz Global Equity)	22	0.0
389,306	14.2	London LGPS LCIV (Baillie Gifford Global Equity)	361,611	12.6
63,286	2.3	London LGPS LCIV CQS (Multi-Asset Credit)	167,467	5.8
0	0.0	London LGPS LCIV (Renewable Infrastructure)	30,433	1.1
0	0.0	London LGPD LCIV (Sustainable Equity Fund)	272,568	9.5
846,471		**Pooled total**	**1,284,104**	
		Direct		
26	0.0	Aberdeen (Property Pooled Vehicle)	28	0.0
95,127	3.5	Northern Trust (Custodian)	48,613	1.7
232,016	8.5	Allianz (Enhanced Bonds)*	223,037	7.8
201,212	7.3	River & Mercantile (UK Equity)*	6	0.0
304,548	11.1	UBSGAM (Passive Multi-Asset)	67,554	2.4
75,689	2.8	London LGPS Direct CQS (Multi-Asset Credit)	0	0.0
104,390	3.8	Oakhill (Multi-Asset Credit)	162,861	5.7
522,018	19.1	L&G (Passive Multi-Asset & Pooled Property)	630,680	22.0
79,242	2.9	Janus Henderson (Multi-Asset & Pooled Property)	37,024	1.3
0	0.0	Nuveen Real Estate	48,164	1.7
4,295	0.2	CCLA / LAMIT (Pooled Property)	5,049	0.2
45,227	1.7	Schroders (Pooled Property)	110,194	3.8
5,936	0.2	Russell Investments (FX Overlay)*	(12,122)	(0.4)
91,202	3.3	JP Morgan Asset Management (Infrastructure)	87,141	3.0
26,764	1.0	Pantheon Ventures (Infrastructure)	43,998	1.5
16,616	0.6	Brightwood (Private Debt)	20,313	0.7
47,537	1.7	Churchill (Private Debt)	51,802	1.8
39,304	1.4	Permira Advisors LLP (Private Debt)	58,941	2.1
(8)	0.0	Russell Investments PCO (Private Debt)	(1,521)	(0.1)
(9)	0.0	Russell Investments PCO (Infrastructure)	(1,401)	0.0
130	0.0	Rogge Collateral Account	137	0.0
1,891,262	**100.0**	**Direct total**	**1,580,498**	**100**
2,737,733		**Total Net Investments**	**2,864,602**	

* Segregated assets. All other assets are pooled

The following investments represent over 5% of the net assets of the Fund. All of these companies are registered in the UK.

Market Value 31st March 2021 £000	% of Fund		Market Value 31st March 2022 £000	% of Fund
285,849	10.4%	GPEV - FW GLOBAL EQUITY INDEX GBP OFC.	566,331	19.8%
393,717	14.4%	London LGPS LCIV (Longview Global Equity)	451,863	15.8%
389,211	14.2%	London LGPS LCIV (Baillie Gifford Global Equity)	361,511	12.6%
287,131	10.5%	UBSGAM Life UK Equity Tracker	67,553	2.4%
0	0.0%	RBC Global Asset Management Sustainable Equity	272,568	9.5%
0	0.0%	London LGPS LCIV CQS (Multi-Asset Credit)	167,467	5.8%
0	0.0%	OHA Diversified Credit Strategies Fund	162,860	5.7%
1,355,908	**49.5%**	**Total Investment Assets**	**2,050,153**	**71.6%**

Note 18 Stock Lending

Stock lending is prohibited in segregated investment management agreements. However, is left to the discretion of pooled investment managers as part of their investment strategy.

Note 19 Property Holdings

Stock lending is prohibited in segregated investment management agreements. However, this is left to the discretion of pooled investment managers as part of their investment strategy.

Note 20 Analysis of Derivatives

Objectives and Policies for Holding Derivatives

The Fund does not invest in derivatives but holds them where appropriate alongside or instead of other assets, usually to hedge liabilities or exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

In addition to derivatives contained within pooled vehicles (such as the Multi-Asset Credit funds) the Fund uses derivatives in :
(1) the Allianz Global Investors bond mandate, largely to mitigate “off-benchmark” risks that are a feature of the manager’s permitted investment approach
(2) in a strategic currency hedging programme (“Passive Currency Overly / PCO”) implemented by Russell Investments, which is described below

a) Futures

The Fund holds futures as part of the fund managers’ interest rate risk management strategy. Outstanding exchange traded futures contracts are as follows:

Economic Exposure £000	Market Value 31st March 2021 £000	Type	Expires	Economic Exposure £000	Market Value 31st March 2022 £000
		Assets			
0	0	UK Fixed Income Futures	< 1 Year	0	0
(27,527)	295	Overseas Fixed Income Futures	< 1 Year	(32,023)	753
	295	**Total Assets**			**753**
		Liabilities			
1,659	(1)	UK Fixed Income Futures	< 1 Year	13,214	(143)
6,420	(1)	Overseas Fixed Income Futures	< 1 Year	0	0
	(2)	**Total Liabilities**			**(143)**
	293	**Net Futures**			**610**

b) Forward Foreign Currency

The Pension Fund entered into a passive currency hedging programme in May 2018 to manage risk, and not for speculation purposes. Hedge instruments are purchased to manage exchange rate risk in foreign currency denominated investments only. This is to support the Fund's choice to invest overseas to enhance diversification and achieve exposure to geographical returns outside the UK. The Fund hedges to remove the risk of adverse currency movement impacting this strategy.

The following arrangements were in place during 2021/22:

Financial instrument	How this has been applied to manage risk	Possible impact on future cash flows
Exchange rate hedge - Forward foreign exchange contracts	Mitigate the risk that adverse movements on foreign exchange rates will affect the carrying value and investment income relating to pooled funds including quoted overseas equities. Settlement is calculated at the contract end date based on the difference between spot rate and forward rate on a specified basket of currencies.	Note 26 shows the impact of 10% potential market movement in exchange rates. For a 10% reduction in exchange rates, the hedge would cover a loss of £103.8m.

The details of the passive currency hedging implementation within the Fund based on the currency the investment is in are as follows:

Asset Class	Methodology
Global Equity	50% of notional currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards. The currencies are hedged according to the MSCI World Index allocations (rather than by reference to underlying actual exposures, where these may differ). Proxies for certain currencies are used where considered appropriate.
Infrastructure	50% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.
Private Debt	100% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.

The accuracy of the hedge is reliant on changes to asset values being communicated in a timely manner, and it is therefore accepted that the hedge may be up to 5% variant to the target at any point.
Infrastructure and private debt managers may also use currency hedging within their pooled vehicles.

Open Forward Foreign Currency Contracts are as follows:

Settlements	Currency Bought	Local Value of Currency Bought	Currency Sold	Local Value of Currency Sold	Asset Value	Liability Value
		£000		£000	£000	£000
1-6 months	USD	6,627	MXN	(138,325)	0	(169)
1-6 months	MXN	34,974	USD	(1,604)	97	0
1-6 months	GBP	629,861	USD	(842,605)	162	(10,436)
1-6 months	GBP	11,990	EUR	(14,274)	0	(115)
< 1 month	GBP	80,456	EUR	(95,834)	0	(599)
< 1 month	GBP	106,903	USD	(144,775)	0	(3,071)
< 1 month	GBP	27,770	CAD	(47,214)	0	(940)
< 1 month	GBP	51,834	JPY	(7,973,213)	1,911	0
< 1 month	GBP	9,890	SEK	(122,932)	0	(134)
< 1 month	GBP	2,596	SGD	(4,727)	0	(57)
< 1 month	GBP	23,061	CHF	(28,401)	0	(401)
< 1 month	GBP	16,663	AUD	(31,333)	0	(1,215)
< 1 month	SGD	228	GBP	(125)	2	0
< 1 month	CAD	1,586	GBP	(932)	32	0
< 1 month	JPY	1,054,449	GBP	(6,718)	0	(116)
< 1 month	CHF	2,675	GBP	(2,194)	15	0
< 1 month	EUR	13,280	GBP	(11,185)	47	0
< 1 month	SEK	9,809	GBP	(778)	22	0
< 1 month	AUD	80	GBP	(43)	2	0
1-6 months	GBP	179	SGD	(321)	0	(1)
1-6 months	GBP	1,820	CHF	(2,226)	0	(24)
1-6 months	GBP	679	SEK	(8,384)	0	(6)
1-6 months	GBP	2,085	CAD	(3,443)	0	(9)
1-6 months	GBP	1,342	AUD	(2,351)	0	(1)
1-6 months	GBP	6,533	HKD	(67,365)	0	(11)
1-6 months	GBP	3,721	JPY	(597,042)	0	(25)
1-6 months	USD	12,938	GBP	(9,829)	0	0
1-6 months	HKD	4,133	GBP	(401)	0	0
Open Forward Currency Contracts at 31st March 2022					**2,290**	**(17,330)**
Net Forward Currency Contracts at 31st March 2022						**(15,040)**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2021					**9,803**	**(3,521)**
Net Forward Currency Contracts at 31st March 2021						**6,282**

	Inception date	Carrying Value at 31st March 2022	Changes in Fair Value in 2021/22	Changes in Fair Value since Inception	Where value has been recognised
		£000	£000	£000	
Forward Foreign Exchange Contracts (hedging Equity)	31/05/2018	(12,155)	(18,074)	(11,228)	Change in market value of investments
Forward Foreign Exchange Contracts (hedging Private Debt)	01/02/2019	(1,530)	(1,522)	1,739	Change in market value of investments
Forward Foreign Exchange Contracts (hedging Infrastructure)	01/02/2019	(1,407)	(1,396)	3,991	Change in market value of investments

	Inception date	Carrying Value at 31st March 2021 £000	Changes in Fair Value in 2020/21 £000	Changes in Fair Value since Inception £000	Where value has been recognised
Forward Foreign Exchange Contracts (hedging Equity)	31/05/2018	5,919	40,982	6,846	Change in market value of investments
Forward Foreign Exchange Contracts (hedging Private Debt)	01/02/2019	(8)	5,876	3,261	Change in market value of investments
Forward Foreign Exchange Contracts (hedging Infrastructure)	01/02/2019	(11)	5,969	5,387	Change in market value of investments

Note 21 Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

LCIV Long Term Capital is not held for investment purposes, it represents the Fund's commitment to the London Collective Investment Vehicle (LCIV) which was made for operational reasons to allow the Fund to access LCIV investments and obtain the benefits of pooled investment. It is therefore carried at cost.

Unquoted private debt and infrastructure are valued at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2022, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.
Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.
Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below:

	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level 1			
Cash Deposits	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Cash Collateral	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Equities	Published bid market price on the final day of the accounting period	Not Required	Not Required
Bonds	Quoted market value based on current yields	Not Required	Not Required
Short term debtors and creditors (investment and trade)	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Level 2			
Pooled equity and bond Investments	Published bid market price on the final day of the accounting period	Not Required	Not Required
Pooled Property Investments	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Forward Currency Contracts	Market forward exchange rates at the year end	Exchange rate risk	Not Required
Level 3			
Pooled Private Debt	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows or default in the underlying loans.
Pooled Infrastructure	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows, default by counterparties or site issues.

Sensitivity of assets valued at Level 3

Having consulted with independent investment advisors, the Fund has determined that the valuation methods described above are 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 2022:

Asset	Potential Variation in Fair Value (+/-)	Value at 31st March 2021 £000	Potential Value on Increase £000	Potential Value on Decrease £000
Infrastructure	15.5%	115,999	133,979	98,019
Private Debt	12.2%	103,457	116,079	90,835
		219,456	**250,058**	**188,854**

Asset	Potential Variation in Fair Value (+/-)	Value at 31st March 2022 £000	Potential Value on Increase £000	Potential Value on Decrease £000
Infrastructure	15.0%	161,572	185,879	137,265
Private Debt	12.2%	131,057	147,065	115,048
		292,629	**332,944**	**252,313**

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. As such, significant market volatility could result in larger movements in market price than set out above. The volatility assumptions displayed are based on option-implied market volatility, where available, with an allowance for the historical tendency of option-implied volatility to overestimate subsequent experienced volatility.

Note 22 Fair Value Hierarchy

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	31st March 2021			
	Quoted Market Price Level 1	**Using Observable Inputs Level 2**	**With Significant Unobservable Inputs Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fair value through profit and loss				
- Equities	195,331	0	0	195,331
- Bonds	219,410	0	0	219,410
- Pooled Equity	0	1,529,368	0	1,529,368
- Pooled Bonds	0	354,449	0	354,449
- Pooled Property	0	106,409	0	106,409
- Infrastructure	0	0	115,999	115,999
- Private Debt	0	0	103,457	103,457
- Derivative Assets	0	10,098	0	10,098
- Cash deposits	105,288	0	0	105,288
- Other investment assets	0	0	0	0
- Investment income due	0	3,564	0	3,564
- Amounts Receivable for Sales	0	1,291	0	1,291
	520,029	**2,005,179**	**219,456**	**2,744,664**
Financial Liabilities				
Fair value through profit and loss				0
Payable for investment purchases	0	(3,163)	0	(3,163)
Other investment liabilities	(246)	0	0	(246)
Derivative liabilities	(2)	(3,521)	0	(3,523)
	(248)	**(6,684)**	**0**	**(6,932)**
Total	**519,781**	**1,998,495**	**219,456**	**2,737,732**

	31st March 2022			
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss				
- Equities	0	0	0	0
- Bonds	219,195	0	0	219,195
- Pooled Equity	0	1,719,827	0	1,719,827
- Pooled Bonds	0	415,721	0	415,721
- Pooled Property	0	184,660	0	184,660
- Infrastructure	0	0	161,572	161,572
- Private Debt	0	0	131,057	131,057
- Derivative Assets	0	3,044	0	3,044
- Cash deposits	50,695	0	0	50,695
- Other investment assets	2,518	0	0	2,518
- Investment income due	0	3,098	0	3,098
- Amounts Receivable for Sales	0	0	0	0
	272,408	**2,326,350**	**292,629**	**2,891,387**
Financial Liabilities				
Fair value through profit and loss				0
Payable for investment purchases	0	(6,903)	0	(6,903)
Other investment liabilities	(2,408)	0	0	(2,408)
Derivative liabilities	0	(17,474)	0	(17,474)
	(2,408)	**(24,377)**	**0**	**(26,785)**
Total	**270,000**	**2,301,973**	**292,629**	**2,864,602**

Transfers between Levels 1 and 2
No assets have transferred between levels during the reporting period.

Note 23 Reconciliation of Fair Value Measurements within Level 3

The following table shows the movement between the opening and closing value of Level 3 instruments:

	Infrastructure	Private Debt	Total
	£000	£000	£000
Value 31st March 2020	**117,363**	**60,750**	**178,113**
Transfers In	0	0	**0**
Transfers Out	0	0	**0**
Purchases & Derivative Payments	9,381	64,839	**74,220**
Sales & Derivative Receipts	(1,096)	(14,536)	**(15,632)**
Unrealised Gains / (Losses)	(9,806)	(7,803)	**(17,609)**
Realised Gains / (Losses)	157	207	**364**
Value 31st March 2021	**115,999**	**103,457**	**219,456**

	Infrastructure	Private Debt	Total
	£000	£000	£000
Value 31st March 2021	**115,999**	**103,457**	**219,456**
Transfers In	0	0	**0**
Transfers Out	0	0	**0**
Purchases & Derivative Payments	50,673	26,363	**77,036**
Sales & Derivative Receipts	(11,249)	(3,538)	**(14,787)**
Unrealised Gains / (Losses)	4,745	4,907	**9,652**
Realised Gains / (Losses)	1,404	(132)	**1,272**
Value 31st March 2022	**161,572**	**131,057**	**292,629**

Note 24 Classification of Financial Instruments

31st March 2021				31st March 2022		
Fair Value through P&L	**Assets at Amortised Cost**	**Liabilities at Amortised Cost**		**Fair Value through P&L**	**Assets at Amortised Cost**	**Liabilities at Amortised Cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
195,332			Equities	0		
219,410			Bonds	219,195		
1,529,368			Pooled Equity	1,719,827		
354,449			Pooled Bonds	415,721		
106,409			Pooled Property	184,660		
115,999			Infrastructure	161,572		
103,457			Private Debt	131,057		
10,098			Derivative Contracts	3,044		
	105,288		Cash		50,695	
	3,563		Other Investment Balances	2,518	3,098	
	1,291		Current Assets		0	
2,634,522	**110,142**	**0**	**Total Assets**	**2,837,594**	**53,793**	**0**
			Financial Liabilities			
(3,523)			Derivative Contracts	(17,474)		
		(246)	Other Investment Balances			(2,408)
		(3,163)	Creditors			(6,903)
(3,523)	**0**	**(3,409)**	**Total Liabilities**	**(17,474)**	**0**	**(9,311)**
2,630,999	**110,142**	**(3,409)**	**Net Total**	**2,820,120**	**53,793**	**(9,311)**
	2,737,732		**Grand Total**		**2,864,602**	

Note 25 Net Gains & Losses on Financial Instruments

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

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

2020/21 £000		2021/22 £000
	Financial Assets	
499,870	Fair value through profit and loss	142,074
13	Amortised cost - Realised gain on derecognition of assets	287
	Amortised cost - Unrealised gain	
499,883		**142,361**
	Financial Liabilities	
57,210	Fair value through profit and loss	(33,356)
(779)	Amortised cost - Realised gain on derecognition of assets	(48)
	Amortised cost - Unrealised gain	
56,431		**(33,404)**
556,314	**Net Gain/(Loss) on Financial Instruments**	**108,957**

Note 26 Nature and Extent of Risks Arising from Financial Instruments Risk and risk management

Risk and risk management

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

Responsibility for the Fund's risk management strategy rests with the Joint Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations, and reviewed regularly to ensure they reflect changes in activity and market conditions.

a) 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 Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors, asset classes and manager styles. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of the Fund's assets, looking at overall returns against the actuarial assumptions and the Fund's own appetite for risk and volatility. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

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

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	**Value at 31st March 2021**	**Potential Market Movement**	**Potential Value on Increase**	**Potential Value on Decrease**
	£000	**(+/-)**	**£000**	**£000**
UK Fixed Interest Gilts	6,751	6.8%	7,210	6,292
UK Index-Linked Gilts	52,670	9.8%	57,831	47,508
UK Non Government Bonds	247,948	6.6%	264,312	231,583
Overseas Bonds	23,174	8.8%	25,214	21,135
Multi-Asset Credit	243,363	9.4%	266,239	220,487
UK Equities	605,127	16.0%	701,946	508,307
Overseas Equities	1,119,528	17.5%	1,315,445	923,611
Pooled Property Investments	106,409	14.1%	121,413	91,406
Private Debt	103,457	12.2%	116,079	90,836
Infrastructure	115,999	15.5%	133,979	98,020
Total Assets Invested excluding derivatives, other investments and cash	**2,624,426**		**3,009,668**	**2,239,185**

Asset type	**Value at 31st March 2022**	**Potential Market Movement**	**Potential Value on Increase**	**Potential Value on Decrease**
	£000	**(+/-)**	**£000**	**£000**
UK Fixed Interest Gilts	6,975	7.2%	7,477	6,473
UK Index-Linked Gilts	38,361	9.6%	42,043	34,678
UK Non Government Bonds	223,136	7.1%	238,978	207,293
Overseas Bonds	36,117	8.3%	39,116	33,119
Multi-Asset Credit	330,327	10.7%	365,672	294,982
UK Equities	67,553	16.7%	78,833	56,272
Overseas Equities	1,652,274	18.2%	1,952,988	1,351,560
Pooled Property Investments	184,660	14.1%	210,697	158,624
Private Debt	131,057	12.2%	147,046	115,069
Infrastructure	161,572	15.0%	185,808	137,337
Total Assets Invested excluding derivatives, other investments and cash	**2,832,032**		**3,268,658**	**2,395,407**

Interest rate risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. Interest rates are not currently expected to move more than 100 basis points (1%) from one year to the next and experience suggests that such movements are unlikely.

The analysis below 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 +/- 1% change in interest rates. An 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 and cash equivalent balances but they will affect the interest income received on those balances.

	Asset Value 31st March 2021 £000	Impact of 1% Increase £000	Impact of 1% Decrease £000
Asset Type			
Cash and Cash Equivalents	106,951	1,070	(1,070)
Bonds	219,410	2,194	(2,194)
Fixed Income Pooled Funds	354,449	3,544	(3,544)
Total	**680,810**	**6,808**	**(6,808)**

	Asset Value 31st March 2022 £000	Impact of 1% Increase £000	Impact of 1% Decrease £000
Asset Type			
Cash and Cash Equivalents	60,703	607	(607)
Bonds	219,195	2,192	(2,192)
Fixed Income Pooled Funds	415,721	4,157	(4,157)
Total	**695,619**	**6,956**	**(6,956)**

	Interest Receivable 2020/21 £000	Impact of 1% Increase £000	Impact of 1% Decrease £000
Asset Type			
Cash and Cash Equivalents	(93)	(1)	1
Bonds - UK index linked	(143)	(1)	1
Total	**(236)**	**(2)**	**2**

	Interest Receivable 2021/22 £000	Impact of 1% Increase £000	Impact of 1% Decrease £000
Asset Type			
Cash and Cash Equivalents	(16)	0	0
Bonds - UK index linked	(143)	(1)	1
Total	**(159)**	**(1)**	**1**

While the fair value of fixed interest investments will change as changes in interest rates make the fixed rate return more or less attractive to investors, the interest receivable will not change. These are therefore excluded from the second set of tables.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Asset Value at 31st March 2021 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Bonds	23,174	10.0%	25,491	20,857
Overseas Equities	1,119,528	10.0%	1,231,481	1,007,575
Overseas Infrastructure	115,999	10.0%	127,599	104,399
Overseas Private Debt	103,457	10.0%	113,803	93,111
Total	**1,362,158**		**1,498,374**	**1,225,942**

Assets Exposed to Currency Risk	Asset Value at 31st March 2022 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Bonds	36,117	10.0%	39,729	32,505
Overseas Equities *	1,652,273	10.0%	1,817,500	1,487,046
Overseas Infrastructure	161,572	10.0%	177,729	145,415
Overseas Private Debt	131,057	10.0%	144,163	117,951
Total	**1,981,019**		**2,179,121**	**1,782,917**

* Increased investment in overseas equity is in line with the asset allocation changes set out in **Note 15**.

It should be noted that the Fund has a passive currency hedging programme in place to hedge approximately a 50% proportion of overseas currency exposure on its equity and infrastructure investments and approximately 100% of currency exposure on its Multi-Asset Credit and Private Debt investments. Therefore the gains and losses on the sterling value of overseas assets quoted above will be offset by the currency hedging arrangement, reducing the volatility associated with foreign exchange rate movements.

b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

The Fund has also set a limit of 15% of the total investments to be placed in any one active investment (with LCIV sub funds defined as an investment for this risk control purpose). The Fund has a limit of 25% of total investments with any single manager (with LCIV sub funds defined as a manager for this purpose).
The Fund explicitly accepts credit risk in some of its investment classes, most notably the use of high yield bonds in Multi Asset Credit funds and the Private Debt class. This risk is mitigated by use of a pooled investment vehicle, due diligence by the manager and exposure limits within each pooled vehicle.

The Fund has a 1% allocation to cash in its Investment Strategy (with a tolerance range of 0.5-3% to allow for market movements and cash flow peaks and troughs). The majority of this is held in the custodian’s AAA rated money market fund, which has its own policies to ensure diversification and achieve LVNAV and AAA status. A working balance is held in the Fund’s bank (NatWest) which benefits from significant government ownership. Cash balances are also held by some managers for liquidity purposes, and these are not material.

The Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

Balances at 31st March 2021 £000		Credit Rating	Balances at 31st March 2022 £000
	Moneymarket Funds		
104,964	NTGI Global Cash Fund	AAA	50,690
	Bank Deposit Accounts		
324	Variation margin		5
	Bank Current Accounts		
1,663	Held with the Fund's Bank	F1	10,008
106,951	**Total Cash Held**		**60,703**

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a bond or a guarantee before admitting new employers so that all contribution obligations are covered in the event of that employer facing financial difficulties. All monthly contributions due at 31 March 2022 and 31 March 2021 were received in accordance with a monthly payment schedule. This schedule is monitored and non-compliance with agreed schedules is raised with the employer and escalated as appropriate.

Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations and one has given a charge on a property as security for a deferred cessation payment. These guarantees are drawn in favour of the Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2021/22 or 2020/21.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund is currently marginally cash flow negative on dealings with members but positive taking into account investment returns being retained as cash rather than reinvested, and excluding one-off events such as large transfers.

The Fund ensures liquidity by:

- holding day to day cash in an interest-bearing account with its bank and a Money Market Fund with its custodian, both with daily liquidity
- holding cash balances with investment fund managers which can be returned to the Fund in under a week to meet any major cash outflows (e.g. bulk transfer of staff to another Fund)
- investing in a range of assets and pooled vehicles which could be liquidated with sufficient notice to fund large planned cash outflows
- having an overdraft facility with its bank

The administering authority (Wandsworth Borough Council) is the lender of last resort to the Fund as facilitated by regulations, where the Fund does not have sufficient liquidity to meet its payment commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of illiquid assets represented £477.3m, 16.7% of the total fund value (at 31 March 2021 this was £326.2m or 11.9% of the total fund).

Refinancing risk

The key risk is that the Fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have the power to borrow long term (only to fund benefit payments or asset allocation changes with repayment within 3 months) and has not borrowed in year so has no exposure to this risk.

Note 27 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund’s actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation as at 31 March 2022 is currently in progress.

The key elements of the funding policy are:

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

Using the agreed assumptions, the Fund had assets sufficient to cover 105% of the accrued liabilities as at 31 March 2019. This means that the Fund has achieved solvency based on current conditions at that date with some margin for adverse change. This overall position does not apply equally to all employers within the Fund with those who joined the Wandsworth Fund when the Richmond Fund was subsumed (1st October 2016) being generally less well funded and therefore requiring deficit payments. The 2016 valuation was undertaken on the 2 individual funds with Wandsworth being 101% funded and Richmond 91% funded, which became an overall 98% funded on merger.

In addition to the primary contribution rate, most employers will also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the website of the Fund's Administering Authority.
The average employer's primary contribution rate across the Fund was :

Year	Rate
2017/18	18.0%
2018/19	18.0%
2019/20	18.0%
2020/21	19.6%
2021/22	19.6%

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

31st March 2016 % p.a.	Assumptions as at	31st March 2019 % p.a.
3.9%	Salary Increases	3.6%
2.4%	Pensions Increases (CPI)	2.6%
4.7%	Discount Rate / Return	4.5%

Demographic assumptions
The assumed life expectancy from age 65 is as follows:

Life Expectancy from age 65	31st March 2019
Retiring Today:	
- Male	21.7 years
- Female	24.3 years
Retiring in 20 year :	
- Male	23.1 years
- Female	25.8 years

Mortality assumptions use 2018 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.25% p.a. with 7.5 smoothing parameter and an initial addition to improvements of 0.5%p.a.

Commutation assumption
It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum.

50:50 option

Take up of 50:50 is based on historic member data.

Note 28 Actuarial Present Value of Promised Retirement Benefits

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

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 27). The actuary has also valued ill health and death benefits in line with IAS 19.

The guidance on implementation of the McCloud ruling used for 2021/22 is close enough to the assumptions used in the prior year to make the figures comparable.

31 March 2021 £000		31 March 2022 £000
(3,425,458)	Present value of promised retirement benefits	(3,421,408)
2,739,394	Fair value of scheme assets (bid value)	2,874,610
(686,064)	**Net Liability**	**(546,798)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 27) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2021 % p.a.		31 March 2022 % p.a.
2.00	Discount rate	2.60
2.80	Inflation / pension increase rate assumption	3.20
3.80	Salary increase	4.20

31 March 2021		31 March 2022
	Life expectancy from age 65 (years)	
	Retiring Today:	
21.6	- Male	21.6
24.3	- Female	24.3
	Retiring in 20 years :	
22.9	- Male	23.0
25.7	- Female	25.8

Note 29 Long Term Debtors

31st March 2021 £000		31st March 2022 £000
	Long Term Debtors	
985	Opening Balance	1,103
168	Lifetime tax allowance paid in year	489
(50)	Recovery from pension in year	(72)
1,103		**1,520**

Note 30 Current Assets & Liabilities

Balance at 31st March 2021 £000		Balance at 31st March 2022 £000
	Current Assets	
1,663	Cash at Bank	**10,008**
1,000	Contributions Due	1,328
209	Contributions Due from Richmond & Wandsworth	224
6,550	Bulk transfer value due from AfC RBWM *	0
241	VAT recovery due	189
43	Overpaid Pensions	91
51	Sundry Debtors	50
8,094		**1,882**
	Current Liabilities	
(1,043)	Unpaid Benefits	(84)
(208)	Fund Managers' fees	(87)
(599)	Amount Due to Richmond & Wandsworth	(1,249)
(796)	Amount Due to HMRC	(821)
(70)	Pensions Due to Estate of deceased pensioner	(66)
(355)	Sundry Creditors	(398)
(3,071)		**(2,705)**

** Cash payment of £7.2m was received in March 2022*

Note 31 Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions. AVCs are entirely separate from the Fund Accounts but are reported here in a note in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions Paid 2020/21 £000	Market Value 31st March 2021 £000	Provider	Contributions Paid 2021/22 £000	Market Value 31st March 2022 £000
23	866	Clerical Medical	20	723
0	597	Utmost	0	604
282	2,947	Prudential	247	2,916
305	**4,410**	**Total**	**267**	**4,243**

* Prudential market value includes potential final bonus, although this is not guaranteed.

Note 32 Agency Services

The Wandsworth Pension Fund pays discretionary awards to former employees of London Borough of Richmond and some associated employers of the ex-LB Richmond Fund to which this Fund is the successor body. The amounts paid are fully reclaimed from the employer bodies. These payments all relate to historic decisions. New discretionary awards are funded by capitalised strain costs paid by the employer at the point of award and the number and value of these payments should therefore decline over time.

The amount paid on behalf of LB Richmond for 2021/22 was £0.818m (£0.863m in 2020/21), with payments on behalf of other employers totalling £137k in 2021/22 (£132k in 2020/21).

Note 33 Related Party Transactions

Governance (Control of the Fund)

In 2016/17 the London Borough of Richmond upon Thames (RuT) Pension Fund was merged into the Wandsworth Borough Council (WBC) Pension Fund to facilitate the Shared Staffing Arrangement (SSA) being set up by the two councils. Under the SSA all former LBR and WBC staff are now jointly employed by both councils.

This merged fund is controlled by the Joint Pensions Committee with six members appointed by WBC and three members by RuT. Of the nine members serving on the Committee at year end, three members had a deferred benefit in the scheme. Each member of the Pension Fund Committee is required to declare their interests.

In addition, Local Pension Board members during the year, Richard Perry, Graham Russell, Jeremy DeSouza, John Deakins, Peter Quirk and Collette Carter were active members and Roy Roach and John Steer were pensioners in the Fund during 2021/22.

Wandsworth Council and Richmond Council under the Shared Staffing Arrangement (SSA)

Wandsworth Pension Fund is administered by Wandsworth Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The key officers responsible for the Pension Fund and all jointly employed as part of the SSA:

Mrs F Merry (Director of Resources)
Mr P Guilliotti (Assistant Director of Resources - Financial Services)
Mr M Doyle (Head of Pensions Shared Service)
Ms C Baxter (Head of Pension Fund Accounting & Investment)

They are all active members of the LGPS as SSA employees. The SSA is also the single largest employer of active members of the Pension Fund. All contributions owing to and due from the Fund were paid in year.

There are also transactions between the Fund and SSA in respect of the services provided in administering and governance of the Fund, and with the Councils as employers in the Fund.

The Councils' charges for administration of and the provision of associated services to the Fund are included in the totals in Note 12.

This includes an element of the salary of the Director of Resources. Their total remuneration is disclosed in the administering authority's accounts due to their role, and this amount is also shown below. As part of their role relates to the management of the Fund, the appropriate proportion of this is included in the administration charges to the Fund (see Note 12).

2021/22	Salary (including fees and allowances)	Employers pension contribution	Remuneration including pension contributions
Director of Resources - F. Merry	109,535	19,716	129,251

2020/21	Salary (including fees and allowances)	Employers pension contribution	Remuneration including pension contributions
Director of Resources and Deputy Chief Executive - M. Maidment (until March)	128,274	23,090	151,364
Director of Resources - F. Merry (from March)	7,984	1,437	9,421

The Fund is controlled by Joint Pensions committee which has membership from both councils. The employer's contributions made by both councils and the SSA in year are as follows:

2021/22	WBC	RuT	SSA
Employer's contributions	**£000**	**£000**	**£000**
- Normal	7,105	4,836	24,667
- Deficit	(580)	2,042	(1,661)
- Augmentation (Strain costs)	218	182	655
Total	**6,743**	**7,060**	**23,661**

2020/21	WBC	RuT	SSA
Employer's contributions	**£000**	**£000**	**£000**
- Normal	6,925	4,718	22,869
- Deficit	(566)	2,009	(1,540)
- Augmentation (Strain costs)	265	0	284
Total	**6,624**	**6,727**	**21,613**

Due to the strong relationship between the Council and the Pension Fund, it is deemed necessary to declare the Leader of the Council's interest as non-executive director of the London CIV and the Fund's investments via the LCIV pool are disclosed in Note 17.

Note 34 Key Management Personnel

Members do not receive additional allowance for their role in the Pension Fund.

Officers do not receive additional remuneration for their role in the Pension Fund. The charge made by Wandsworth Council for administering the Fund incudes the cost of officers, and is disclosed in Note 12 above.

Note 35 Contingent Liabilities and Contractual Commitments

Contractual Commitments
Outstanding capital commitments (investments) at 31 March 2022 were $297m (£226m) compared to US $266m (£193m) at 31 March 2021. The figure for March 2022 includes the balance of £110m committed to the LCIV Renewable Infrastructure fund in March 2021 and $112m or £85m committed to Private Debt funds as reported to Joint Pensions Committee 16 March 2022. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure and private debt parts of the portfolio. The amounts 'called' by these funds are irregular in size and tend to occur quarterly from the date of each original commitment, until the funds are fully subscribed.

Contingent Liabilities
Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations. For one ceased employer, cessation costs have been allowed to be spread into the future, but a charge is held on property they own to mitigate the risk. These guarantees are drawn in favour of the Pension Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2021/22 or 2020/21.

Note 36 Accounting Standards Issued but Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully in the 2022/23 financial statements. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

The following standards are not expected to directly impact the Fund accounts due to the nature of the Fund or its investments:

IFRS 16 Leases

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards: IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS, IAS 37 (Onerous contracts) – clarifies the intention of the standard, IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material and IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

Pension Fund Accounts Reporting Requirement

Wandsworth Council Pension Fund - IAS26 Report at 31 March 2022

Introduction

We have been instructed by Wandsworth Council, the administering authority to the Wandsworth Council Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the year and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website here and the Fund's membership booklet.

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

We would be pleased to answer any questions arising from this report.

Graeme Muir FFA
Partner

Data used

We have used the following items of data which we received from the administering authority:

- 31 March 2019 - results of the latest funding valuation
- 31 March 2021 - results of the latest IAS26 report
- 31 March 2022 - Fund asset statement
- 31 March 2022 - Fund income and expenditure items (estimated where necessary) to
- 31 March 2022 - details of any new unreduced early retirement payments out to

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. We are not aware of any material changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2019.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	10,690	218,112	45
Deferred pensioners	18,147	26,269	45
Pensioners	10,050	67,312	72

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2022.

We have been notified of 23 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £135,100.

Additional notes

On 31 March 2022, a payment of £7,209,792 was received by the Fund in respect of a transfer of staff from the Royal County of Berkshire Pension Fund to the Achieving for Children section of the Wandsworth Council Pension Fund. The transfer occurred on 1 August 2017 and the liabilities were already previously included in the accounting results. As agreed with the administering authority, the payment received has been included as a cashflow in the Results section.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 5.44%. The actual return on Fund assets over the year may be different.
The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	1,719,827	60%	1,724,700	63%
Gilts	38,361	1%	52,670	2%
Other bonds	398,006	14%	381,329	14%
Property	346,232	12%	222,408	8%
Cash	41,857	1%	114,924	4%
Multi-asset fund	330,327	11%	243,363	9%
Total	**2,874,610**	**100%**	**2,739,394**	**100%**

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Fund's past service liabilities, estimated to be 20 years.

Post retirement mortality	31 Mar 2022	31 Mar 2021
Base table	S3PA	S3PA
Multiplier (M/F)	110% / 105%	110% / 105%
Future improvements model	CMI_2020	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.5	7.5
Initial addition parameter	0.5% p.a.	0.5% p.a.
2020 weight parameter	25%	25%

Life expectancy from age 65 (years)		31 Mar 2022	31 Mar 2021
Retiring today	Males	21.6	21.6
	Females	24.3	24.3
Retiring in 20 years	Males	23.0	22.9
	Females	25.8	25.7

Financial assumptions	31 Mar 2022 p.a.	31 Mar 2021 p.a.	31 Mar 2020 p.a.
Discount rate	2.60%	2.00%	2.35%
Pension increases (CPI)	3.20%	2.80%	1.90%

Salary increases	4.20%	3.80%	2.90%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Results

Net pension asset in the statement of financial position as at	31 Mar 2022 £000s	31 Mar 2021 £000s	31 Mar 2020 £000s
Present value of the defined benefit obligation	3,421,408	3,425,458	2,689,668
Fair value of Fund assets (bid value)	2,874,610	2,739,394	2,162,460
Net liability in balance sheet	**546,798**	**686,064**	**527,208**

The present value of the defined benefit obligation consists of £3,376,721,000 in respect of vested obligation and £44,687,000 in respect of non-vested obligation.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening defined benefit obligation	**3,425,458**	**2,689,668**
Current service cost	138,668	86,409
Interest cost	67,893	62,475
Change in financial assumptions	(157,278)	716,911
Change in demographic assumptions	-	(30,444)
Experience loss/(gain) on defined benefit obligation	8,723	(36,814)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(80,328)	(79,308)
Past service costs, including curtailments	1,177	520
Contributions by Scheme participants and other employers	17,095	16,041
Closing defined benefit obligation	**3,421,408**	**3,425,458**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening fair value of Fund assets	**2,739,394**	**2,162,460**
Interest on assets	54,597	50,636
Return on assets less interest	94,380	542,833
Other actuarial gains/(losses)	-	-
Administration expenses	(1,804)	(1,013)
Contributions by employer	51,276	47,745
Contributions by Scheme participants and other employers	17,095	16,041
Estimated benefits paid net of transfers in	(80,328)	(79,308)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**2,874,610**	**2,739,394**

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,355,947	3,421,408	3,488,212
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,426,063	3,421,408	3,416,788
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,483,100	3,421,408	3,360,881
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**- 1 Year**
Present value of total obligation	3,585,157	3,421,408	3,265,592

SECTION 7 - FUNDING STRATEGY STATEMENT

WANDSWORTH COUNCIL PENSION FUND
(incorporating former Richmond Council Pension Fund)

CONTENTS

Funding Strategy Statement – Scope

Following the Shared Staffing Arrangement between Richmond and Wandsworth Councils, which commenced on the 1st October 2016, all assets and liabilities of the Richmond Pension Fund transferred to the Wandsworth Pension Fund (the Fund) under SI 2016 No 1241 as part of joint pension fund arrangements. References to the "Council" should be read as meaning Richmond and Wandsworth Councils as appropriate.

Funding Strategy Statement – Purpose

As required by Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations), every local authority that administers a pension fund is required to obtain an actuarial valuation of the assets and liabilities as at 31st March 2016 and every third anniversary thereafter. The main purpose of the valuation is to determine the rate at which the participating employers should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the Fund. Revised contribution rates, as certified by the actuary, must be implemented on 1st April of the following calendar year.

The employer contribution rate is the net sum of two elements:

- the primary contribution rate, as defined in Regulation 62(5) of the Regulations, which is the amount to be paid by the employer in respect of the cost of benefits accruing in future to active members of the Fund; and
- the secondary rate, as defined in Regulation 62(7) of the Regulations, which is an individual adjustment to the primary contribution rate for the employer which, in the actuary's opinion, is appropriate to take account of any circumstances peculiar to the employer. For example, this may be an adjustment to reflect any surplus or deficit attributable to the individual employer.

Every valuation relies on a number of assumptions to calculate the funding level at the valuation date and the primary contribution rate. A degree of judgement is then required about the secondary rate to reflect any individual adjustments, for example for any surplus or shortfall. Regulation 58 of the Regulations requires every local authority that administers a pension fund to prepare, maintain and publish a written statement setting out their funding strategy, addressing these assumptions and judgements. The Fund's actuary, when undertaking triennial valuations, must then have regard to this statement.

The purpose of this statement, therefore, is to establish the general strategy for ensuring appropriate assumptions and judgements in valuations of the Wandsworth Council Pension Fund. In particular, the purpose of this statement is to:

- Establish a clear and transparent Fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

In preparing the funding strategy statement, each authority must have regard to its own Investment Strategy Statement (ISS) and to guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Each authority will also normally consult with all employers participating in the Fund and any other bodies it deems appropriate.

This statement must be revised and published again to reflect any material change in policy or in the ISS. CIPFA recommend that it should be reviewed formally at least every three years, in advance of the triennial valuation.

Pension Fund – Purpose, Aims and Scope

The purpose of the Pension Fund is to pay pensions, retirement and death lump sums, other scheme benefits, refunds of employees' contributions, transfers of pension rights to other pension schemes, and administration costs, from payments of employees' and employers' contributions, payments from other funds in respect of transferred pension rights, and investment income and realisations, in accordance with the Regulations.

The aims of the Fund are therefore, with a prudent long-term view, to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- maximise the returns from investments within reasonable risk limits;
- have regard to the desirability of maintaining as nearly constant employer primary contribution rates as possible and at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admission bodies), while achieving and maintaining fund solvency and long-term cost efficiency; and
- enable and assist participating employers to manage their liabilities effectively.

The scope of the Fund, in terms of employers and active membership, is almost entirely limited to eligible employees in Council-funded functions, and predominantly direct employees of the Councils. Wandsworth Council, as the administering authority, has for many years tended to resist the admission to the Fund of other employers, in view of the risk that their liabilities would ultimately fall on the Council. But all Wandsworth and Richmond schools have a degree of autonomy in their financial affairs that warrants special consultation and consideration about the impact of funding proposals. Academies may be viewed as separate employers as they have financial independence from the Councils.

The funding objectives are to:

- ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- ensure the solvency of the Fund;
- set levels of employer contribution to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;

build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and

adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension fund. The review also looks at compliance and consistency of the actuarial valuations.

Responsibilities of Key Parties

Wandsworth Council as the Fund's administering authority should:

collect employer and employee contributions from employers, investment income and other amounts due to the Fund as stipulated in the Regulations;

consider on a case by case basis whether to charge interest payable on late contributions in accordance with Regulation 71 of the Regulations

ensure the investment of surplus monies is well-managed in accordance with the Regulations;

pay the benefits due to Scheme members as stipulated in the Regulations;

ensure that cash is available to meet liabilities as and when they fall due;

manage the valuation process in consultation with the Fund's actuary;

effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer;

prepare and maintain a Funding Strategy Statement (FSS) and an Investment Strategy Statement (ISS);

monitor all aspects of the Fund's performance and funding, and amend the FSS or ISS when necessary;

enable the Local Pension Board to review the valuation process; and

ensure that the requirements of regulation 64 are complied with in relation to ceasing employers.

Scheme employers (including schools), admission bodies and Wandsworth and Richmond Councils as employers should:

deduct contributions from employees' pay correctly;

pay all contributions, including their own as determined by the actuary, promptly by the due date;

publish and keep under review a discretions policy and exercise those discretions within the regulatory framework, keeping regard to how the exercise of the discretions could lead to a serious loss of confidence in the public service.

make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;

have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the administering authority in this context,

notify the administering authority promptly of all changes or proposed changes which could affect future funding, for example changes in membership;

pay recharges for the cost of compensatory added years arrangements that the administering authority pays on behalf of the employer; and

pay any exit payments due on ceasing participation in the Fund.

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing Communities & Local Government (MHCLG).

The Fund's actuary should set employer contribution rates at levels to ensure Fund solvency and long-term cost efficiency, having regard to:

the Fund's existing and prospective liabilities;

circumstances peculiar to a particular employer or pool of employers;

the desirability of maintaining as nearly a constant primary contribution rate as possible; and

this Funding Strategy Statement.

The actuary should assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations.

The actuary also prepares advice and calculations on other actuarial matters affecting the Fund, for example bulk transfers and individual benefit-related matters.

Fund Investment Policy

The investment objectives of the Fund according to the current ISS, i.e "to maintain the solvency of the Fund at all times, and to deliver low and stable contribution rates over the long term", support the first three aims of the Fund as stated above.

The Fund's investment policy is "to appoint expert fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with the investment manager". Managers are given discretion and are held accountable for stock selection decisions, within parameters, over periods ranging from a few months to a few years. The overall framework for asset allocation is decided by the Council and reviewed periodically.

The practical effect of this policy is that the majority of the Fund's investments are currently held in equities. As the Fund is still attracting new members and can afford to take a long view, this degree of equity weighting is considered acceptable. It is also considered generally desirable in view of the higher return that may reasonably be expected in the long term from investments carrying higher risk. This expectation is supported by historical analysis showing that equities have out-performed bonds over most, but by no means all, periods. However; when determining asset allocation consideration is given to cash flow requirements to maximise the use of dividend and income payments to meet the shortfall between new contributions and current pension liabilities.

This investment policy, generally resulting in a heavy equity weighting, allows the actuary to assume an investment return above the yield on bonds for fund valuations. The amount of this assumption will be decided for each valuation, having regard to market expectations at the time but with a significant allowance for prudence.

The Fund's heavy equity weighting means accepting potentially more volatile valuation results, compared with funds invested largely in bonds. As the Councils are the major participating employer required to publish an annual balance-sheet, and as this balance-sheet is published for stewardship purposes and not to give assurance to lenders, the volatility in the pension reserve shown in the annual balance-sheet is not a concern. Volatility in triennial valuation results, however, tends to work against "the desirability of maintaining as nearly constant employer primary contribution rates as possible". The Fund's actuary adopts methods in order to mitigate this risk and these are discussed below. The additional risk is considered worth taking in pursuit of the aim to "maximise the returns from investments within reasonable risk limits", and hence to keep employer contribution rates as low as possible. A move entirely into bonds would markedly reduce volatility, but it would also compel the assumption of lower investment returns and thus require much greater employer contribution rates.

Funding Strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. A summary of the methods and assumptions adopted is set out in the sections below.

The actuarial valuation involves a projection of future cash flows to and from the Fund.

The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

Funding Method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a shortfall; and

The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7).

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach to an individual employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Assumptions

The main output of the valuation is the employer contribution rates to be paid over many years into the future. So called “marked to market” valuations have the potential to produce quite different valuation results and levels of required employer contributions depending on actual market conditions on the day of the valuation. Thus, to determine the value of liabilities, rather than adopt assumptions based on “spot” yields and market conditions on the actual valuation date, the Fund’s actuary uses the average yields over the 6 month period spanning the valuation date. Similarly in the valuation of assets used for valuation purposes the Fund’s actuary derives average market values of assets over the same 6 month period. This approach is akin to carrying out daily valuations over a 6 month period and then determining the average valuation result. The purpose of this averaging or smoothing process is to help stabilise levels of employer contributions as required by the Regulations.

Details of the key assumptions for the 31 March 2019 valuation are summarised below.

Investment Performance/Discount Rate

As contributions are being invested now to provide for benefits payable in the future (and to make good any deficit), then part of the cost of providing the benefits can be met from investment returns. The higher the rate of return achieved by the assets, the lower the contributions that will be required in future to meet the cost of the benefits. Therefore, a key assumption in any valuation is the anticipated returns from assets in the future.

Investment managers may under-perform. Investment markets may perform worse than expected. Market yields may be lower. Some of these risks are controlled to some degree by the framework for investment management described in the ISS. The prudent long-term view and the desirability of maintaining as nearly constant employer contribution rates as possible, require an allowance for prudence within the discount rate assumption in order to counter these risks. The allowance will be higher when investment market values are considered to be high.

Allowance for the Fund’s administration and investment expenses is made through the discount rate assumption via a deduction of 0.2%. Thus 0.2% of the investment return is assumed to meet these expenses.

At the time of drafting this FSS, it is still unclear how the McCloud/Sargeant judgements (see Regulatory Risks section) will affect current and future LGPS benefits. Therefore, as part of the Fund’s 2019 valuation, the prudence allowance incorporated into the discount rate assumption included consideration of the risk of member benefits being uplifted as part of a remedy and becoming more expensive. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than 0.05% of the discount rate assumption.

The discount rate adopted for the 31 March 2019 valuation was 4.5% p.a.

Pay and Price Inflation

Pay growth enhances the future pension benefits of the active members of the Fund. To make the valuation assumption as robust as possible, the actuary has regard to the trend in national real earnings growth, to the experience of promotional increases in local government generally, and to any differences in the recent experience of the Fund. Employers are naturally mindful of the direct effect of pay rises on their budgets and local taxes; they should also be alert to the impact on their pension contributions if pay rises exceed the valuation assumptions, particularly for employees with long periods of service.

The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1% p.a. This includes an allowance for promotional increases.

Annual increases in pensioner and deferred pensioner benefits and active members' benefits earned after 31 March 2014 are linked to Consumer Price Inflation (CPI). At each valuation, market expectations of future Retail Price Inflation (RPI) can be measured using the Bank of England inflation curve. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods and so as at 31 March 2019, a deduction of 1% p.a. was made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2019 was 2.6% p.a.

Longevity

Life expectancy is a key determinant in the valuation of liabilities. There are two aspects in determining this assumption:

an assumption on the mortality rates applicable at the current date; and

an assumption on the future improvements in longevity.

The actuarial valuation reflects recent experience of pensioner mortality in the Pension Fund. Mortality investigations over the last few years have concluded that the population across the UK is living longer but the recent improvements in life expectancy have been slower than previously predicted. However, experience does vary across the country and from Fund to Fund. The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

For the 31 March 2019 valuation, longevity is assumed to increase in line with the Actuarial Profession's Continuous Mortality Investigation ("CMI") 2018 projected improvements with a smoothing parameter of 7.5, a long term rate of improvement of 1.25% p.a., and an initial addition to improvements of 0.5% p.a. p.a.

Assets

The asset value used for funding purposes is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities. The asset value used for funding purposes also allows for a 10% asset shock reserve to allow for adverse short term financial experience in the period to the next valuation. 10% of the Fund's asset value is therefore reserved to meet these short term risks and not taken into account in the valuation.

Employer Contribution Rates

Funding Level

The funding level determined in the actuarial valuation is the result of comparing the funding assets with the existing and future liabilities already accrued in respect of the service of Scheme members up to the valuation date. The prudential target is to achieve/maintain 100% funding with assets and liabilities in balance.

When the funding level shows a significant surplus or shortfall, the employer contribution rate will normally include a secondary contribution, with a view to restoring balance within a reasonable recovery period.

Surplus and Shortfall Recovery Periods

CIPFA guidance does not prescribe an optimum target period for securing full funding. It notes the need to avoid short-term horizons, provide stability in employer contributions, and to take advantage of the constitutional permanence of local government and the scheme's statutory status. Where this is thought prudentially appropriate and relevant to local circumstances, the guidance suggests, these considerations would allow longer-term recovery periods for shortfalls than those in the private sector.

A funding shortfall implies that employment costs for the workforce have previously been understated, so prudence implies that any shortfall should be recovered within the remaining working-life of the current workforce. The calculation of the average remaining working-life may allow for weighting by compound-interest factors at the rate used for the valuation. Adoption of this recovery period could be reinforced by the desirability of maintaining as nearly constant employer contribution rates as possible: for example, a high proportion of retirements over the subsequent three to nine years would force sharply increasing contribution rates in respect of the remaining workforce, if the valuation assumptions proved sustainable.

On the other hand, the desirability of stable contribution rates might support the adoption of a longer recovery period, to the extent that any shortfall were considered attributable to recent unusually adverse volatility in the investment markets that may prudently be expected to reverse before the next valuation.

The deficit recovery period or surplus amortisation period that is adopted for any particular employer will depend on:

the significance of the surplus or deficit relative to that employer's liabilities;

the covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;

the remaining contract length of an employer in the Fund (if applicable); and

the implications in terms of stability of future levels of employers' contribution.

Stable contribution rates are not the only mechanism available to the Councils for protecting local taxpayers from the impact of market volatility. Reserves for pension liabilities may be established as soon as market conditions suggest significant adverse impact at the next valuation, and these could be applied to offset the effect of the consequential increase in employer contributions. Other participating employers and schools are also empowered to establish provisions and reserves to have a similar effect within their own budgets. For these employers and for the Councils, the scope for such provisions and reserves depends upon the degree of other financial pressures at the time. In the event of the funding level showing a surplus, this should be spread over a period with consideration of both prudence and the desirability of maintaining as nearly constant employer contribution rates as possible.

For the 2019 valuation, most employers in the Fund were at least 100% funded. For the employers with a funding deficit, contributions were set to restore the employer to a fully funded position in no longer than a 12 year period.

Stepped Contribution Changes

Phasing periods will be influenced by the credit worthiness of each employer and be explicitly expressed at each valuation.

Pooling or Individual Adjustment

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

The Fund currently pools most of the academies in the Fund for funding purposes. Any academies in the Fund which were in the Richmond Fund prior to the merger are not currently included in the pool.

Risk sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not generally responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer

At the 2019 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

Early Retirement Costs

The Councils ensure due control of all early retirement costs by charging against the revenue account of the employing service a lump sum representing the present value of releasing benefits before the date on which they could have been taken by the employee without reduction. Costs of awarding additional pension at the time of retirement are treated similarly and are awarded subject to the Councils' Policy Statement on the use of discretions within the LGPS

Employer Commencement

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. It is desirable for the Administering Authority and new employers that the terms for admission to the fund are clear and that the process of joining the fund is efficient. To this end the Council will have in place a draft admissions policy that will be available for consultation by 31 March 2021.

Generally, when a new employer joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer.

Subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. Under a pass through arrangement for example, all of the pensions risk remains with the letting authority and the new employer is only responsible for paying contributions into the Fund over the course of the contract in addition to any other costs as agreed between the two parties and the Fund. The practicalities of any risk-sharing arrangement should be clearly agreed and documented.

Employer Cessation

When a Scheme employer's participation in the Fund terminates and the Scheme employer becomes an 'exiting employer', the Regulations require that a termination valuation is carried out. The purpose of this valuation is to determine the level of any surplus or deficit in an exiting employer's share of the Fund as at the exit date and whether the exiting employer is liable to pay an exit payment or is entitled to receive an exit credit.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario. For example, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

The valuation of exiting employers on or after 31 March 2020 will take into consideration the impact of the McCloud judgment and the GMP Equalisation exercise. An additional margin of prudence may be applied in relation to those issues dependent on the employer's circumstances, including but not limited to whether they are, in the actuary's opinion, significant additional liabilities for the employer.

The administering authority's policy is for any deficit upon termination to be recovered through a single lump-sum payment to the Fund (unless agreed otherwise by the Councils at their sole discretion). In circumstances of late payment, the administering authority will require payment of the appropriate interest amount and expenses, in addition to the termination deficit identified, as calculated by the Fund actuary. In the event that an exiting employer cannot pay an exit payment this may be recovered from the DFE in relation to academies or the indemnity/bond in relation to admission bodies

In certain circumstances, the administering authority may allow another Scheme employer (or in the case of an exiting Multi Academy Trust, the Fund may allow a successor Multi Academy Trust) to subsume the assets and liabilities of an exiting employer, including responsibility for any surplus or deficit at exit (i.e. the Scheme employer will assume responsibility for all of the assets and liabilities of the exiting employer and for the future funding of those assets and liabilities). In these circumstances, no payment will be made to or from the exiting employer

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which require administering authorities to make an exit credit payment to exiting employers where the employer's assets exceed its liabilities. Cessation valuations that identify a potential exit credit will be reviewed on a case by case basis before any payment is made and only where there is no passthrough arrangements in place. Considerations will be based on any previous agreements made and discussions between the administering authority, the exiting employer and the guarantor (if relevant).

If a pass through arrangement is in place (as set out above) then no deficit payment or exit credit is applicable and the letting authority absorbs all assets and liabilities.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Risks and Counter-Measures

There are many risks that could impact upon employer contribution rates. The key risks and the measures that could be taken to counter them are discussed below. Many of these are the subject of assumptions that have to be made in the course of each actuarial valuation. Although these assumptions refer to the long term, the risk for employers potentially crystallises at the next triennial valuation. If the assumptions made at one valuation do not appear to be sustainable three years later, and then have to be superseded by more adverse assumptions, there will be consequential increases in contribution rates. Conversely, substantial prudence at one valuation may be rewarded by a reduction in contribution rates three years later.

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets at inopportune times in order to meets its benefit payments.

The Government has published a consultation (Local Government Pension Scheme: changes to the local valuation cycle and management of employer risk) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory Risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme. However, the Councils, as Fund employers, take advantage of opportunities to respond to consultation on proposed changes, taking account of their likely impact on local authority budgets in particular.

There are a number of general risks to the Fund and the LGPS, including:

If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.

The potential effects of GMP equalisation between males and females, if implemented, are not yet known.

More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.

The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the Government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;

a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;

proposals for flexibility on exit payments;

proposals for further policy changes to exit credits; and

proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Governance risks

The Fund aims to maintain good communication with all employers and meet all government requirements as set out in the Regulations

Version	Nature of Change	Implemented
V1	Initial Creation	April 2005
V2	Reflecting the 2007 Valuation	April 2008
V3	Reflecting the 2010 Valuation and a move to risk based outcome modelling	April 2011
V4	Reflecting the 2013 Valuation and a move to economic rate discount model	April 2014 subject to amendment
V5	Reflecting the 2016 Valuation and the transfer of assets and liabilities from the Richmond Council Pension Fund	April 2017 subject to amendment
V6	Reflecting changes proposed by the Fund's Actuary November 2017	November 2017
V7	Reflecting the 2019 Valuation	April 2020

SECTION 8 – INVESTMENT STRATEGY STATEMENT

November 2020

Introduction and background

This is the Investment Strategy Statement ("ISS") of the Wandsworth Pension Fund ("the Fund"), which is administered by Wandsworth Council, ("the Administering Authority"). Wandsworth Council's Pension Fund is established in accordance with statute to provide death and retirement benefits for all eligible employees, mainly staff from Richmond and Wandsworth Councils and incorporates the former Richmond Pension Fund . The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Mercer Limited. The Committee acts on the delegated authority of the Administering Authority.

The original ISS, which was approved by the Committee on 7th March 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (dated April 2020).

The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is as follows:

The investment management strategy is to appoint expert fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with the investment manager having taken advice from the Fund's appointed advisor on both asset allocation and where appropriate manager selection (this would only apply if the appropriate asset class is not available within the Fund's Pooling arrangements).

The approach employs a combination of specialist active managers plus a passive manager in order to give diversification taking into account appetite for (active) risk, management cost factors and empirical evidence relating to the success of particular approaches in different markets.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

Suitability given the Fund's level of funding and liability profile

The level of expected risk

Outlook for asset returns

Ongoing income requirements for the Fund

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation In order to minimise trading costs any rebalancing is limited to the mid-point of the difference between the benchmark allocation and the relevant boundary of the tolerance range.

The Director of Resources will monitor these tolerances monthly and is delegated authority to rebalance within these guidelines.

Exceptionally, there may be market conditions that dictate against this rebalancing strategy being implemented or the pace at which rebalancing occurs and the Director of Resources is authorised to depart from this strategy if he deems that circumstances indicate a departure.

Rebalancing decisions would also take account of any liquidity effects.

Any rebalancing activity or departures from the strategy would be reported to the next meeting of the Pensions Committee.

The Fund's Investment Beliefs are:

Enhanced returns are delivered through long term investing

The strength of the Fund's covenant enables the fund to take a long term view for its investment strategy

Strategic Asset Allocation and the timing of material changes are the most important drivers of the fund's financial outcomes

Equities are expected to generate superior long term returns

Alternative asset classes will be considered to enhance returns and diversification

It is recognised that environment, social and governance factors, including climate change, can influence long term investment performance and the ability to achieve long term sustainable returns

Whilst fees and costs need to be controlled, return net of fees will be the key performance indicator for the Fund.

Good Governance is critical to making informed investment decisions.

Enhanced returns in a risk managed environment are delivered through combining active and passive management approaches.

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

Table 1: Fund allocation

Asset class	Target allocation %	Min – Max invested %
Global equities	55	45-65
Property	6	4-8
Infrastructure Equity	10	5-15
MAC	10	8-12
Private Debt	8	5-12
Corporate bonds	10	5-15
Cash	1	0.5 - 3
Total	100	n/a

The above allocation was agreed at the Joint Pension Committee Meeting on 16th September 2020 (Committee Paper No. 20-276).. The asset allocation needs to meet the requirements of all stakeholders and therefore the combined funding level will be used to determine the asset allocation for the Fund which at the 31 March 2019 Triennial Valuation was 105%. The Fund will seek relevant advice following each triennial valuation to ensure that the allocation meets its funding and cash flow requirements.

Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed not to impose its own restrictions as all other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice. However, should any one active fund (including money invested in sub-funds within the London CIV) hold more that 15% of the Fund’s assets this will be reported to the next Pension Committee for authorisation to continue or rebalance to below 15%. No fund manager shall hold (including money invested via the London CIV) more than 25% of the Fund’s assets. Percentages will be rounded to the nearest whole number.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Future Manager selection will be the responsibility of the London CIV, and therefore the Committee will need to be satisfied that the benchmarks set by the CIV meet the Fund's requirements. Governance arrangements for the CIV are dealt with in paragraphs 58-60.

The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

Financial mismatch - The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

Changing demographics -The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

Systemic risk, including climate change related risks- The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The Committee has taken into account that the Fund is sub-divided into 3 pots to reflect the Shared

Staffing Arrangement (SSA) between Richmond and Wandsworth Councils. The results from the 2019 analysis highlighted these pots were funded at the following levels: Richmond (96%); SSA (101%); and Wandsworth (114%). This analysis will be revisited as part of the 2022 valuation process. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio and decarbonisation but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

Currency risk - The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

Environmental, social and governance ("ESG"), including climate change related investment risks - The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. The Committee acknowledges the currency risks differs between asset classes and as such adapts its approach accordingly. As capital preservation is fundamental for credit related assets the Fund hedges 100% of relevant assets however; recognising the long term nature of equity investing and market value volatility the long term view is that equity holdings will not be hedged. However; due to the increased risk of sterling volatility due to Brexit the Committee have agreed for its Equity and Real Asset investments they will hedge 50% of its currency exposure and/or invest in a sterling share class. Details of the Fund's approach to managing ESG risks is set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and have a significant proportion of the Scheme's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. The ability to continue with this approach will be dependent on the arrangements agreed with the London CIV who will be responsible for appointing Fund Managers on an ongoing basis.

Other provider risk

Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

Credit default - The possibility of default of a counterparty in meeting its obligations.

Stock-lending - The possibility of default and loss of economic rights to Fund assets.

Cash flow Risk

A shortfall in liquid assets or eligible collateral relative to short term liabilities (e.g. pension payments) could create the risk of selling a significant proportion of assets at an unreasonably low price to fund these payments. The Pension Fund has insufficient income from contributions to meet its current pension liabilities however is cash positive when dividends and interest is included, so that cash reserves are normally sufficient to meet any payments. At each actuarial valuation (every three years) a sensitivity analysis determines whether liquidity and cash flow needs are likely to be met while testing for adverse market effects and potential asset sales to meet pension payments. Additionally the Council will ensure that all future payments can be met and that sufficient assets are held in liquid investments (realisable in three months or less) or in eligible collateral, such as government bonds.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

A more comprehensive review of risks to which the Fund is exposed and the approach to managing these risks is undertaken by the Wandsworth Local Pension Board whose Minutes are reported to the Pensions Committee. Should any significant concerns be highlighted the Chair of the Board would prepare a report to the Committee.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV. The structure and basis on which the London CIV operates is correct as at November 2020.

Assets to be invested in the CIV

The Fund's intention is to invest its assets through the London CIV whenever there is a suitable product that meets its requirements. The Fund will transition liquid assets into the London CIV when there are suitable investment strategies that meet the asset allocation and investment strategy available on the London CIV platform. They key criteria for assessment of the CIV solutions will be as follows:

That the CIV enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

That there is a clear financial benefit to the Fund in investing in the solution offered by the CIV, should a change of provider be necessary.

At the time of preparing this statement the Fund has already invested the following assets via the London CIV:

Table 2: Fund allocation to London CIV

Asset class	Manager	% of Fund assets as at 25/11/20	Benchmark and performance objective
Global Equity	Longview	14.5	MSCI World Unhedged (Total Return) + 2%
Global Equity	Baillie Gifford	14.4	MSCI World All Countries Unhedged (Gross Dividend Re-invested) + 2%
Multi-asset Credit	CQS	2.3	LIBOR + 4%

At the time of preparing this statement the Fund has elected not to invest the following assets via the London CIV:

Table 3: Fund allocation outside London CIV

Asset class	Manager	% of Fund assets as at 30/9/20	Benchmark and performance objectives	Reason for not investing via the XYZ Pool
Passive / Enhanced Index – Multi Asset	UBS and Legal and General,	28.9	FTSE / iBoxx indices (various) [+0.55% Enhanced Index]	Not value for money to transfer/no equivalent mandate on CIV
Fixed Income	Allianz, Janus Henderson	11.1	: IBOXX All Stocks Corporate Bonds, FTSE Actuaries Govt Securities Index – Linked > 5 years + 1.5%;	No sterling denominated fixed Income mandate currently on CIV platform
UK Equity	River & Mercantile	7.3	FTSE All-Share Index (Total Return) + 2%	Currently evaluating UK equity options
Multi-asset Credit	Oak Hill, CQS	9.4	LIBOR + 4%	Diversification/Seed capital for Private Debt
Property	Legal & General, Henderson, CCLA, and Schroder	4.3	AREF / IPD All Balanced Property Fund Index Weighted Average + 1%	Not value for money to transfer/no equivalent mandate on CIV
Private Debt	Brightwood, Churchill and Permira	3.5	LIBOR + 4%	No Private Debt Fund/Illiquid Mandate

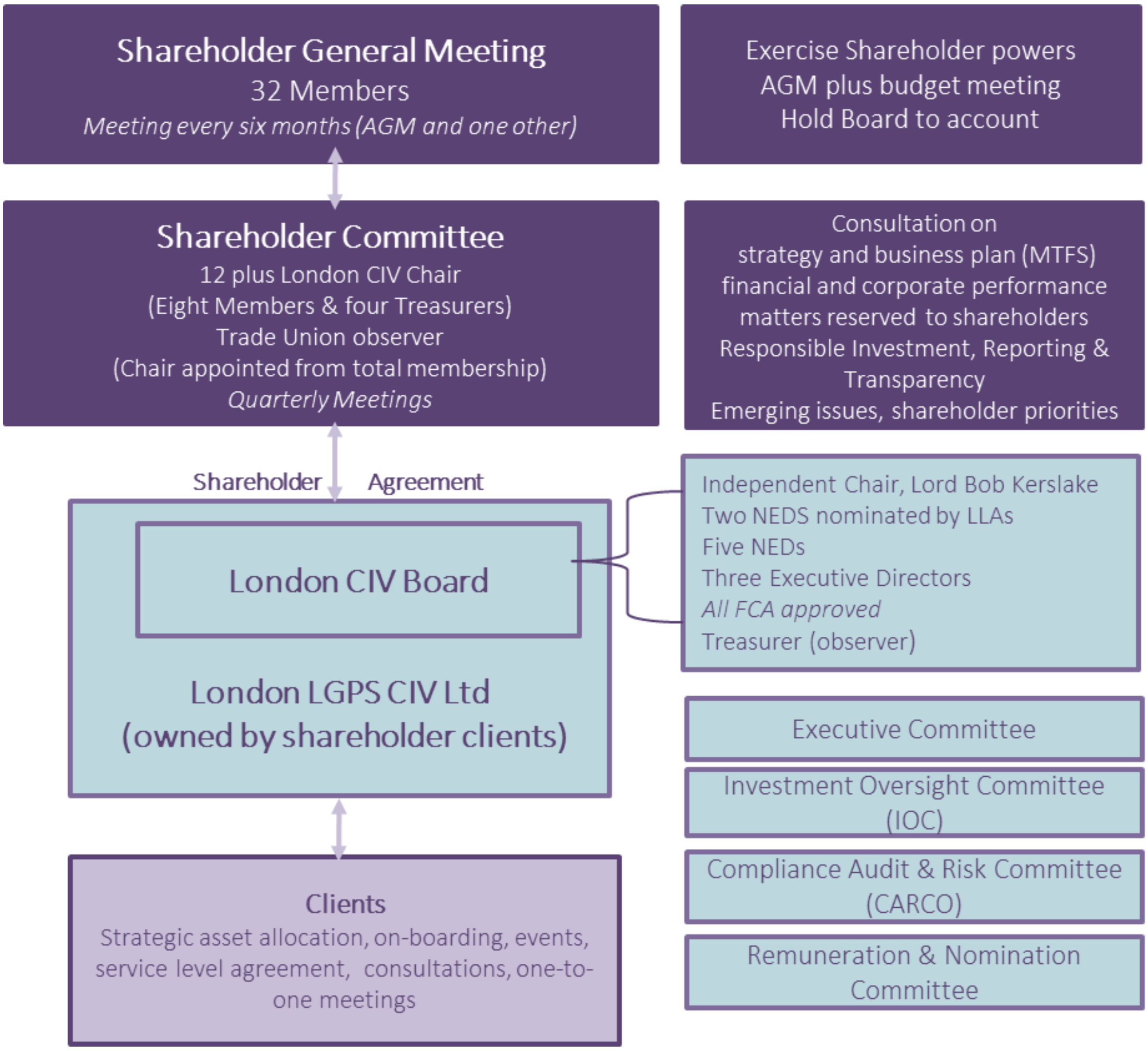
Infrastructure	JP Morgan, Pantheon	4.6	6% total return	Illiquid Mandates

These are the current weightings as at 30th September 2020 and do not reflect the changes that will need to be implemented to meet the new asset allocation benchmarks set out in Table 1 above

Any assets not currently invested in the Pool will be reviewed annually to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

Structure and governance of the London CIV

The governance structure of the CIV is detailed below:



All participants of the CIV are both shareholders and investors in the London CIV company and the governance structure enables both formal and informal scrutiny with the Shareholders' Committee providing scrutiny and oversight of the CIV.

The Fund will seek to have representatives on both Member and Officer led Committees within the London CIV and any key updates from those meetings and/or other information provided by the CIV shall be reported to Pension Committee.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Council has a paramount fiduciary duty to obtain the best possible financial return on the Fund investments against a suitable degree of risk. It also considers a company's good practice in terms of environmental, social, and governance ("ESG") issues is generally likely to have a favourable effect on the long-term financial performance of the company and improve investment returns to its shareholders.

It is recognised that ESG factors, including climate change, can influence long term investment performance and the ability to achieve long term sustainable returns. The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

The investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund. 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 could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors.

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 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. Based on a climate scenario analysis assessing the Fund's investments under three warming scenarios (2°C, 3°C and 4°C), the Fund finds that an alignment with a scenario seeking to decarbonise the global economy and limit global warming is the most advantageous from the investment perspective. The Fund has therefore decided to adopt a policy to progressively decarbonise its investments (as measured by the Weighted Average Carbon Intensity), starting with the listed equity mandates. Further the Fund will look for investment opportunities which are expected to outperform in a 2°C scenario.

The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

To date, the Fund's approach to Social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties having had due regard to the Stewardship Code. Any identified breaches of the Stewardship Code would be reported to the Pensions Committee.

The exercise of rights (including voting rights) attaching to investments

Voting rights

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 interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising 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.

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Director of Resources monitors the voting decisions made by all its investment managers on a regular basis.

It should be noted that as the Fund's investments will largely be held in the London CIV and those investments are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

Stewardship

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

SECTION 9 - COMMUNICATIONS POLICY STATEMENT

THIS IS THE COMMUNICATIONS POLICY OF THE WANDSWORTH PENSION FUND

The Wandsworth Pension Fund (the Fund) is required by regulation 61 of the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations 2013) to maintain and publish a communications policy statement. The LGPS is also subject to the regulatory oversight of the Pensions Regulator who has provided guidance in Code of Practice 14 on providing good quality communications to Scheme members and other stakeholders. Regulation 61 is reproduced below: -

"Statements of policy concerning communications with members and Scheme employers

61. — (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with

members;
representatives of members;
prospective members; and
Scheme Employers.

In particular the statement must set out its policy on -

the provision of information and publicity about the Scheme to members, representatives of members and Scheme Employers;
the format, frequency and method of distributing such information or publicity; and
the promotion of the Scheme to prospective members and their employers.

The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2)."

Who We Communicate With

- Scheme Members (Current, Deferred, Pensioner, Dependant)
- Representatives of Scheme Members
- Prospective Scheme Members
- Human Resources Services (HR) and Service Managers
- Scheme Employers
- Elected Members of the Joint Pensions Committee (JPC)
- Local Pension Board (LPB)
- External bodies:
  - Her Majesty's Revenue & Customs (HMRC)
  - Department for Levelling Up, Housing & Communities (DLUHC)
  - Trades Unions

- Pension Fund Investment Managers, Advisers and Actuaries
- Pension Fund Custodian
- The Pensions Regulator (tPR)
- The Scheme Advisory Board (SAB)
- The Local Government Association (LGA)
- Department of Work and Pensions (DWP)
- Pension Officers Groups
- Pensions and Lifetime Savings Association (PLSA)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Pension administration software platform provider

The Fund's pension administration function is undertaken by the Pensions Shared Service (PSS) and the PSS is mainly responsible for communicating with the scheme members in line with this Communications Policy together with other responsible senior officers of Richmond and Wandsworth Councils.

Key objectives

To ensure the Fund delivers clear, timely and accessible communication with a broad range of stakeholders. To achieve this, the Fund will:

- Communicate information about the Scheme's rules and regulations in an effective, friendly and timely manner to the different groups of stakeholders;
- Inform customers and stake holders to enable them to make the decisions regarding pension matters;
- Inform customers and stakeholders about the management and administration of the Fund;
- Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders;
- Support employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the scheme;
- Seek continuous improvement in the way the Fund communicates.

Accessibility

The Fund is committed to ensuring communications are accessible to all stakeholders and is committed to develop further use of electronic means of communicating through e-mail and our websites (including Member Self Service).

Wherever possible, responses are sent to stakeholders by electronic means. However, more traditional methods of communications will continue to be offered as required.

Methods of Communication – Scheme Members and Prospective Members

(a) Website

The PSS website (www.pensionssharedservice.org.uk) contains details of the Scheme together with newsletters, information guides and forms to download and print. Scheme information is also available online via the LGA's national website at www.lgpsregs.org/ and www.lgpsmember.org/ A Guide to the LGPS and Newsletters are available on the PSS website with hard copies available on request.

(b) Member Self Service (MSS) - this is a secure portal that allows members to see the personal details we hold about them. They can also update information such as their death grant expression of wish and use a calculator to estimate their retirement benefits. Contributing and deferred members can view their annual pension statements. Members can send questions and queries to us using MSS, and we will respond to them by email or another method as requested.

(c) Member Support
Scheme members can contact the PSS by telephone between 9:00am and 5.00pm Monday to Friday. Due to Covid-19 restrictions, we are currently unable to receive visitors at our office - this will be kept under review as guidance changes.

The PSS also offers pre-arranged videocall appointments via Microsoft Teams Monday to Friday. The PSS contributes to the Councils' Learning and Development Service by way of participating in the Corporate Induction training giving an overview of the Scheme. The PSS also plays a major role in the Planning for Retirement courses. These courses are available through the Councils' Learning and
Development Service. Seminars are also arranged when requested on an individual basis from time to time.

The PSS also arranges webinars for members in conjunction with employers to promote understanding of the scheme.

(d) Alternative Requirements
Members can contact the PSS if they wish to receive information in a non-standard format (for example large print, Braille or on audiotape). The PSS has access to transcription, translating and interpreting services if required. Correspondence to members is sent in increased font sizes according to individual members' requests.

(e) Benefit Statements
Annual benefit statements for active and deferred members are published on their Member Self Service accounts. .

(f) Pay advice slips / P60s / Pensions Increase
Pay advice slips are provided to pensioner members in accordance with the agreed Council-Payroll arrangements and a form P60 is sent annually. Pensioner members are sent a letter annually with details of the new amount of pension following the yearly Pensions Increase. Newsletters for pensioner members are available on the PSS website with hard copies available on request.

(g) Report and Accounts
The Pension Fund Annual Report is produced and available to all Scheme members at www.wandsworth.gov.uk/pensions. The availability of the report is notified via newsletters and announcements on intranets and the PSS website. A paper copy can be provided on request. The report includes details of the Pension Fund Accounts, the Pension Fund investment performance, the Fund's policies on Governance, Investment Strategy, Funding Strategy and its Communications Statement.

(h) Performance Monitoring
The PSS is committed to continuous service improvements. It monitors its performance and reports this quarterly. Performance achievements are published in the Pension Fund Annual Report and reported to the LPB at each meeting.

Communicating with Representatives of Scheme Members
The range of information and ways of communicating that is available to Scheme members is also available to their representatives (except for any in-house training).

Communicating with Prospective Scheme Members
The range of information and ways of communicating that is available to Scheme members is also available to employees who are not currently members of the Scheme but may be considering joining (including any in-house training).

Communicating with Human Resources and Scheme Employers
Richmond and Wandsworth Councils are the main employers in the Fund. Scheme employers are informed of changes to the scheme, policies and procedures by Employers' Newsletters. In addition, information is available to employers on dedicated "employer pages" on the PSS website. We arrange training events for employers to attend. These may be large scale events providing general training on the LGPS or smaller events or webinars to provide training on a specific area or task (such as how to complete contribution returns).

Communicating with Elected Members
Scheme information and data is provided to Elected Members of the JPC, so they may effectively perform their duties and responsibilities. In order to maintain their required knowledge and understanding of the Scheme and any other associated legislation or official guidance, elected members have Member training as a regular agenda item at quarterly meetings and confer with Officers on training requirements. Training is provided either internally by officers or by external resources such as the online training facility provided by Hymans Robertson.

Communicating with the Local Pension Board
Scheme information and data is provided to members of the LPB, so they may effectively perform their duties and responsibilities and comply with the governance requirements of the Scheme and the Pension Regulator's Code of Practice 14. To maintain their required knowledge and understanding of the Scheme and any other associated legislation or official guidance, LPB members

have training as a regular agenda item at their biannual meetings and confer with Officers on training requirements. Training is provided either internally by officers or by external resources. Information may also be shared with members electronically outside of the normal cycle of meetings on an ad-hoc basis when needed.

Communicating with External Bodies

Any requests for information or data will be responded to as and when required.

Review of the Communications Policy

This Communications Policy will be reviewed every 3 years or as necessitated by a material change in circumstances and updated where there are significant changes to be made.

Enquiries in relation to this Communications Policy should be addressed to:

Pensions Shared Service
PO Box 72351
London, SW18 9LQ

v. February 2022

Summary of Communication Material

Communication Document	When Made Available	Available To	Format	When Reviewed
Guide to the Local Government Pension Scheme Guide	Before commencing employment / On leaving / When requested	Prospective / Active / Deferred members	Paper (if requested) / PSS & National Member's Website / Intranet	As regulations change or annually
Joining the LGPS – Transfer of Pension Rights from other schemes	Before commencing employment / When requested	Prospective / Active Members	Paper / PSS & National Member's Website / Intranet	As regulations change or annually
Leaving Pensionable Employment – A Guide to Your Pension Options	On leaving the Scheme before retirement age	Active / Deferred members	Paper / PSS & National Member's Website / Intranet	As regulations change or annually
Pay Advice Slips	As per Payroll agreements	Pensioner Members	Paper	Annually
Form P60	Annually	Pensioner Members	Paper	Annually
Newsletters	Biannually / As required by Regulations	Prospective / Active / Pensioner Members	Paper / PSS & National Member's Website/ Intranet / Audiotape	Biannually / As required
Pensions Service Annual Business Plan	On Request	All	Paper / PSS & National Member's Website/ Intranet	Annually
Statutory Statements	On Request	All	Paper / PSS & National Member's Website/ Intranet	Annually / As required
Pension Fund Report and Accounts	Annually	All	Paper / PSS & National Member's Website / Intranet	Annually
Schools Employers' Manual	On becoming an employing authority / When requested	Employing Authorities	Paper/ PSS Website / Intranet	Annually

Communications Policy Statement 2021/22 Review

In accordance with regulation 61 of the Local Government Pension Scheme Regulations 2013, the Pension Fund's Communications Policy Statement has been reviewed as part of the production of this report. The revised policy was presented and considered at the meeting of the Local Pension Board on 8 February 2022 and the Joint Pensions Committee on 16 March 2022. The changes to the policy reflect the publication of the PSS new website https://pensionssharedservice.org.uk/ There is no immediate need to review the policy further at this time.

The Pensions Service issued newsletters to pensioners (in April), deferred members (in June) and active members (in August). Information contained in the newsletters included legislation changes, details of changes to the LGPS, information about the General Data Protection Regulation, pension scheme tax implications and notification of increases to pensions. Pensioner Members received monthly pay advice slips and a P60 in April. Annual Benefit Statements were issued to active and deferred members by the August deadline. The PSS introduced a new website with increased information for all member categories.

Appendix 1

National Fraud Initiative reports

NFI 2018				
Report Number	**Name of Report - Categories Matched**	Number of Cases Matched	Pension Suspended or Abated as a Result of NFI Notification	Identified as Fraud
Report 52	Richmond and Wandsworth Pensioners	137	6	0
	Totals			

Report Number	**Name of Report - Categories Matched**
Report 52	Richmond and Wandsworth Pensioners recorded with DWP as Deceased
Comments	
Report 52	131 of these cases had already been notified to the Pensions Shared Service by next of kin or the deceased's Bank - the remaining 6 cases were immediately suspended until contact from the next of kin.
Report 54, 55 & 56	These are no longer relevant as Wandsworth Pension Fund’s policy regarding abatement of pensions is not to abate following reemployment.

NFI 2020

Report Number	Name of Report - Categories Matched	Number of Cases Matched	Pension Suspended or Abated as a Result of NFI Notification	Identified as Fraud
Report 52	Richmond and Wandsworth Pensioners	90	6	0
	Totals			

Report Number	Name of Report - Categories Matched
Report 52	Richmond and Wandsworth Pensioners recorded with DWP as Deceased

Comments

Report 52	84 of these cases had already been notified to the Pensions Shared Service by next of kin or the deceased's Bank - the remaining 6 cases were immediately suspended until contact from the next of kin.
Report 54, 55 & 56	These are no longer relevant as Wandsworth Pension Fund’s policy regarding abatement of pensions is not to abate following reemployment.