Appendix A to Paper No. 19-245 - Pension Fund Annual Report

WANDSWORTH BOROUGH COUNCIL PENSION FUND

PENSION FUND ANNUAL REPORT 2018/19

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 2019.

On the investment side of the Fund it was once again a year that saw equity markets demonstrating considerable volatility in-year, with a strongly negative final quarter of 2018 and an almost equivalent rebound in the following one (at least for the UK and US markets). For sterling investors (before any hedging) there is no doubt that US equities were the best-performing of the major asset categories, with a 10% currency gain uplifting the total return close to 18% (the UK coming in a relatively distant second place with a 6.4% return). Other key asset classes for the Fund – sterling corporate bonds, UK property and index-linked gilts – all delivered around 5-6%. Alternatives, including the more illiquid credit assets were disappointing (returning low single figures), albeit that no Fund mandates lost value in the year to 31 March 2019. In overall terms, the Fund delivered a 12-month return of 7.9% – a welcome consolidation of a 3-year annualised return of over 11%.

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

The results of the latest completed actuarial valuation of the Pension Fund as at 31 March 2016 revealed that the combined Pension Fund was 98% funded, comprising of 100% for the SSA (new); 102% Wandsworth element (up from 95% in 2013) and 90% Richmond element (up from 83% in 2013) with a combined deficit of £41 million, down from £158 million in 2013. The common rate of employer contribution for future service was 18% of pensionable pay and the rate of employer contribution to pay for the deficit (Richmond only) was 6.4% payable over 12 years, down from 17 years in 2013. Employers' individual contribution rates from this process were implemented from 1 April 2017. The current actuarial valuation of the Pension Fund is in progress now. due to report as at 31 March 2019, with any changes to employer contribution rates due to be implemented from 1 April 2020. The initial indications are that funding level will have improved on the last set of results.

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

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

Mark Maidment	Councillor Guy Senior
Director of Resources	Chairman of 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 2019.

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 James Daley – Member (Opposition Speaker)
Councillor Peter Carpenter – Member
Councillor Ian Hart – Member
Councillor Rory O'Broin – Member
Councillor Aled Richards-Jones
Councillor Geoff Acton* – Deputy Chairman
Councillor Paul Avon* – Member
Councillor Ian Craigie* – Member

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 Pensions Regulator's Public Sector 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 and Diversified Growth
Longview (London LGPS CIV)	Managed Global Equities
Allianz (London LGPS CIV)*	Managed Global Equities
Allianz (formerly Rogge)	Managed Enhanced Bonds
UBS	Passive Multi Asset
CQS	Multi Asset Credit
Oakhill	Multi Asset Credit
Rreef**	Managed Property Unit Trust
CCLA/LAMIT	Property
Schroders	Property
Janus Henderson	Multi Asset and Property***
L&G	Passive Multi Asset and Property
JP Morgan****	Infrastructure
Pantheon	Infrastructure
Brightwood	Private Debt
Churchill	Private Debt
Permira****	Private Debt

* redeemed April 2019
** accessed via Aberdeen Asset Management
*** property managed by Nuveen (formerly TH Real Estate, accessed via Janus Henderson)
**** appointed Q4 2018 not funded as at 31 March 2019

Asset Pool – London LGPS CIV

Postal address: London CIV, Fourth Floor, 22 Lavington Street, London SE1 0NZ
Registered Address: London CIV, 70 Great Bridgewater Street, Manchester M1 5ES

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, Equitable Life (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	Mark Maidment
Assistant Director of Resources (Financial Services)	Paul Guilliotti
Scheme Administration - Head of Pensions Shared Service	Martin Doyle
Scheme Investments and Accounting - Pension Fund Controller	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 19-231 approved by the Audit Committee on 31 July 2019. 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 schools, colleges and admission bodies. Contributions from external payroll providers are reconciled monthly against contributions expected and cash received, and this is audited externally annually.

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 2017/18 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 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	2017/18 Actual	2018/19 Budget	2018/19 Actual	2018/19 Variance from Forecast	
	£'000	£'000	£'000	%	£'000
Contributions receivable					
- Members	14,304	14,200	14,440	2	240
- Employers	44,647	44,100	45,502	3	1,402
- Transfers in	7,661	2,100	10,357	393	8,257
TOTAL INCOME	66,612	60,400	70,299	16	9,899
Benefits/Expenses					
- Pensions	-60,640	-62,400	-63,784	-2	-1,384
- Retirement lump sums	-11,455	-11,000	-11,437	-4	-437
- Death lump sums	-2,487	-1,300	-2,115	-63	-815
- Transfers out	-6,196	-5,300	-19,034	-259	-13,734
TOTAL EXPENDITURE	-80,778	-80,000	-96,370	-21	-16,370
Net withdrawal / addition from Dealings with Members per Accounts	-14,166	-19,600	-26,071	-33	-6,471

The table shows that in 2018/19 (as in 2017/18) there were net withdrawals from dealing with members, reflecting the fact that he combined fund is now structurally "cash flow negative" due to the increasing maturity of its liabilities. The overall deficit in 2018/19 is higher than was originally estimated, however, principally due to the balance of exceptional items i.e. non-budgeted bulk transfers out exceeding those received.

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 (in the case of the latter due to optionality in converting pension to lump sum and member-specific factors in general).

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. 19-120 on 21 March 2019.

Pension Fund Budget	2019-20	2020-21	2021-22
	£'000	£'000	£'000
Contributions Receivable			
Members	14,800	15,100	15,400
Employers Normal	45,200	42,600	43,500
Employers Additional	1,500	1,500	1,500
Transfers In	3,800	3,800	3,800
Benefits Payable			
Pensions	-67,900	-71,300	-74,900
Retirement Benefit Lump Sums	-11,000	-11,600	-12,200
Death Benefits	-1,300	-1,300	-1,300
Transfers Out	-5,300	-5,300	-5,300
Establishment	-900	-900	-900
Net (Withdrawals) from Dealing with Members	**-21,100**	**-27,400**	**-30,400**
Returns on Investments			
Investment Income	37,500	53,400	56,100
Investment Management Expenses	-9,000	-9,500	-10,000
Custody	-35	-30	-25
Consultancy / Other	-150	-150	-150
Total	**7,215**	**16,320**	**15,525**

Contribution Amounts due to the Fund from Employers and Employees

The following table provides details of the total amounts due for the period April 2018 to March 2019 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	33936	2023	6107	8130
	SSA	105954	7504	19077	26581
(Schools with External Payroll Providers)	Albemarle School	550	34	99	133
	Honeywell Infant School	401	23	72	95
	Honeywell Junior School	313	18	56	74
01/04/2018 to 31/08/2018	Linden Lodge School	1017	61	194	255
Scheduled Bodies					
	Alton Academy	479	30	91	121
Academy 01/09/2018	Ark John Archer	196	12	39	51
	Ashcroft Technology College	1211	75	230	305
	Belleville School	983	61	187	248
	Bolingbroke ARK	650	38	118	156
	Burntwood Academy	1258	81	239	320
	Chesterton Academy	417	25	76	101
	Chestnut Grove	1296	81	246	327
	Floreat Academy	233	15	46	61
Academy 01/09/2018	Franciscan School	318	19	60	79
	Graveney School	2202	141	402	543
Academy 01/01/2019	Goldfinch School	86	3	11	14
	Griffin School	150	8	26	34
	Harris Academy Battersea	450	27	78	105
Academy 01/09/2018	Linden Lodge	1480	90	281	371
	Mosaic SLJPS	235	13	41	54
	Nightingale School	537	33	104	137
	Oasis Putney	153	8	26	34
	Putney ARK	837	53	157	210
	Southfields Academy	1634	107	313	420
	St Cecilia's C of E School	707	46	134	180
	Tooting Primary School	197	12	37	49
	Westbridge Primary School	180	10	31	41
	Belleville Wix Academy	320	19	60	79

Admitted Bodies					
	CCTV - NSL Ltd	49	3	10	13
	CT Plus	724	44	148	192
	Enable	2232	147	381	528
	Greenwich Leisure Ltd	1309	82	264	346
	One Trust	1275	82	271	353
Total Wandsworth			11028	29712	40740

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	13302	833	5791	6624
(Schools with External Payroll Providers)	Barnes School	618	37	151	188
	Christs School	750	46	181	227
	Collis School	790	46	193	239
	Hampton Wick School	364	19	91	110
	Kew Riverside School	218	13	52	65
	Orleans Infants	451	26	110	136
	Queens School	330	17	82	99
	St Edmunds School	387	22	94	116
	St James School	492	28	120	148
	St John the Baptist School	306	18	75	93
	St Marys & St Peters School	556	32	136	168
	Stanley School	897	52	219	271
	Vineyard School	608	35	149	184
Scheduled Bodies					
	Achieving for Children	15163	1032	2425	3457
	Clarendon (Auriga)	729	43	170	213
	Greycourt	1339	87	238	325
	Hampton High	559	37	112	149
	Nelson Academy	420	24	87	111
	Orleans Park	1017	57	215	272
	Richmond Upon Thames College	2748	180	953	1133
	Richmond Upon Thames School	126	8	22	30
	Richmond Park Academy	638	39	131	170
	Strathmore (Auriga)	802	46	164	210
	St Marys Hampton School	163	10	36	46
	Teddington School	719	46	149	195
	Thomson House School	280	16	41	57

	Turing House School	265	15	56	71
	Twickenham Primary (Academy)	110	6	25	31
	Twickenham School	654	41	132	173
	Waldegrave	1046	47	210	257
Admitted Bodies					
Ceased Jan 2019	Balance Support CIC	15	1	3	4
	Hampton School	572	43	139	182
	RAHCC (Prev. RACC)	1474	92	388	480
	Institute of Revenues, Rating and Valuation	392	29	139	168
	Lifeways	176	12	31	43
	Mears	21	1	5	6
	Medacs Group	22	2	6	8
	Notting Hill Genesis	13	1	38	39
Ceased	Richmond Housing Partnership	0	0	69	69
	Richmond Music Trust	155	10	35	45
	South West Middlesex Crematorium Board	332	22	81	103
	St Mary's University	2493	174	771	945
	Support for Living	480	32	85	117
	Veolia	587	29	159	188
New Employer 2017	YMCA	65	4	20	24
Total Richmond			3410	14579	17989
Final Total			14438	44291	58729

[1] – £0 figures represent contributions of less than £500 total in the period.

The Director of Resources is authorised to decide whether to levy interest in any case where contributions are received late. During the 2018/19 year four employers submitted contributions late once, two employers submitted contributions late twice and one employer submitted contributions late six times. These instances have been recorded on the Breaches Register and monitored for further occurrences. One employer approached the Council to defer their secondary contributions to the fund and stopped paying these. Our professional advisors confirmed that the LGPS regulations do not allow this. The amount of employer contributions that had not been paid was £336,333. Following a meeting between the College and Council Officers a schedule of payments was agreed and adhered to. All outstanding payments were made and the employer has made all ongoing payments correctly and within required timescales. Interest was not charged to the employer on this occasion as the amount does not represent a material loss to the fund however they have been advised that if a similar occurrence happens again we will consider using all options available including referring the matter to the Regulator.

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 were three new academies that commenced and one admission body that ceased during the reporting year. The ceased employer's contributions have been accounted for in this report and it is therefore included in the active admitted bodies below. 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	46		46
Admitted body	17	33	50
Total	63	33	96

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 figures are the totals for both the Wandsworth and Richmond Councils pensioner payrolls.

Year	**2016/17**	**2017/18**	**2018/19**
Invoices raised	£44,885	£47,641	£43,456
Written-off	£1,066	£2,783	£2,845

Details of the last two National Fraud Initiatives (2014 and 2016) 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 full report is contained in the Council's statement of accounts and a report to the Council on the Pension Fund is also contained in this report. The auditor is Government appointed.

The expenditure detail shown below is comprised of expenditure from administration of benefits, administration of investments and costs associated to other officers involved in the management of the fund. A more detailed breakdown of the recharge to the Pension Fund is given below.

Year	Pension Staff & Premises Costs £000's	Investments Section Staff & Premises Costs £000's	Finance Directorate IT & Democracy £000's	Audit Fee £000's	Total Charge £000's
2017/18	488	107	64	28	687
2018/19	447	117	65	21	650

The figures shown above for the Investment Section reflect the full cost of the Investment Section. The details of the full costs of the Pensions Service for 2018/19 including those costs which are not chargeable to the Pensions Fund are shown below.

2018/19	Original Budget £'s	Revised Budget £'s	Actual £'s	Variance £'s
Staffing Costs	1,241,000	1,265,600	1,444,468	178,868
Central and Technical Support	375,600	375,600	394,605	18,905
Other Supplies and Services	202,700	202,700	1,012,845	810,145
Costs recovered from Shared Service partners	-936,300	-936,300	-1,368,844	-432,544
Other external income	0	-110,000	-498,875	-388,875
Net expenditure	883,000	797,700	984,200	186,500
Charge to Council - Employer Duties	436,276	350,976	412,277	61,301
Charge to Pension Fund	446,724	446,724	571,922	125,198

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. Employee 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. Additional employee costs were incurred for the Project Manager seconded from IT and an additional resource for the implementation of i-Connect. The additional staff costs for the project work and temporary staff has been funded across the PSS partnership.

The final charge to the pension fund was above budget due to the one-off costs of software licences for enhancements to the Altair pension administration system (i-Connect and MSS) and the payments to the provider undertaking the Guaranteed Minimum Pension reconciliation as required by Government legislation.

Further detail of the actual expenditure for 2018/19 is given in the table below.

2018/19 Expenditure	**Description**	**Totals £'s**
Staffing	Salaries	1,136,585
	National Insurance	113,953
	Employer Pension	182,735
	Redundancy costs	3,704
	Training/Advertising	7,491
Central & Technical Support	Central Services Recharge	206,505
	Payroll	188,100
Other Supplies & Services	Printing/Stationery	20,354
	Postage	31,218
	IT & Telecoms	645,272
	Legal & Contracts	-2,782
	General (fares/equipment)	318,783
	Total Expenditure	**2,851,919**

Management Expenses

The Pension Fund paid £7.495 million in management expenses in 2018/19. This was an increase of £0.636 million (9%) compared with the amount for the fund in 2017/18.

Type of Fee	2017/18 Actual £000's	2018/19 Budget £000's	2018/19 Actual £000's	2018/19 Variance compared to budget %	2018/19 Variance compared to budget £000's
Investment Management Expenses					
River and Mercantile	279	350	287	18	63
Allianz (LGPS CIV)	646		36		-36
Longview (LGPS CIV)	1,660	1,530	1,622	-6	-92
Baillie Gifford (LGPS CIV)	923	930	937	-1	-7
Allianz (ex-Rogge)	182	230	240	-4	-10
UBSGAM Passive	69	40	44	-10	-4
CQS (LGPS CIV & Direct)	437	890	754	15	136
Oakhill	445	740	1,127	-52	-387
Baillie Gifford (LGPS CIV) (ex-LBR)	474	370	413	-12	-43
CCLA (ex-LBR)	27	30	28	7	2
Henderson (ex-LBR)	570	510	591	16	-81
L&G (ex-LBR)	52	200	155	23	45
Schroders (ex-LBR)	224	300	301	0	-1
Russell (commenced May 2018)		80	78	3	2
Other*	109		146		-146
*Includes LCIV Fixed Fees and Private Assets	**6,097**	**6,200**	**6,759**	**-9**	**-559**
Custody / Transaction Costs					
Northern Trust	49	40	54	-35	-14
Transaction Costs	713		682		-682
	762	**40**	**736**		**-696**
Total Investment Management Costs	**6,859**	**6,240**	**7,495**	**20**	**-1,255**
Oversight & Governance Costs					
Central Administration	160		170		
Accounting Fees	14		14		
Audit Fees	38		30		
Actuarial Fees	53		19		
Investment Consulting	51		92		
Miscellaneous (courses, etc.)	10				
	326	**150**	**325**	**-117**	**-175**
Administration Costs	**851**	**900**	**1,068**	**-19**	**-168**
Grand Total**	**8,036**	**7,290**	**8,888**	**-22**	**-1,598**

**The figures above vary from those reported in the Fund's Accounts Note 11 by a total of 530k of Management Fees and 646k of Transaction Costs. These differences are due to a combination of differences between the estimated yearend figures and final bills and other issues highlighted in detailed fund manager analysis. These amounts are not significant in terms of the high-level checks on totals undertaken internally and by our auditors, the accounts are materially correct, but figures are adjusted here to give a better comparator for performance monitoring.

Post Pool Reporting

	2018/19 Actual £000's
Analysis of Investment Management Expenses	
Pooled (Management Fees)	3,241
Non-Pooled	3,428
Fixed Pooled Costs	90
	6,759

Pooling Set-Up Costs*

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
Share Capital	0	300	0	0	0
Annual Charges	100	50	50	100	90
Transition Costs**	0	0	0	0	0
Total Set-Up Costs	100	350	50	100	90

*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

	2017/18	2018/19
Pension Fund Costs	£837,850	£837,376
Investment Management Costs	£6,859,000	£7,495,000
Total	£7,696,850	£8,332,376
Membership	36,256	37,860
Cost per member	£212.29	£220.08

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	2017/18 Achieved	2018/19 Achieved	Target
New Scheme Member	99.28%	99.68%	95.00%
Transfers In	86.19%	93.51%	95.00%
Early Leavers	97.02%	97.56%	95.00%
Transfers Out	73.52%	89.94%	95.00%
Refunds	100.00%	100.00%	98.00%
Pension Sharing on Divorce	96.55%	100.00%	98.00%
Correspondence	95.45%	96.90%	98.00%
Retirements	92.00%	95.40%	98.00%
Deceased member	88.28%	89.86%	98.00%

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.

	14/15	15/16	16/17	17/18	18/19
Very Satisfied	79%	67%	62%	67%	72%
Satisfied	15%	22%	22%	21%	21%
Satisfied after further enquiry	6%	11%	12%	8%	7%
Not satisfied	0%	0%	4%	4%	0%

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	14/15	15/16	16/17	17/18	18/19
System Error	0	0	0	0	1
Staff Error	0	1	12	3	2
Staff Attitude	0	0	0	1	0
Beyond Service Delivery Standards	0	5	0	1	5
Policy/Service Delivery changes	0	0	1	1	0
Not the Lead Authority	0	0	0	0	0
Total	**0**	**6**	**13**	**6**	**8**
Total as % of Workload	**0.00%**	**0.17%**	**0.24%**	**0.12%**	**0.10%**

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	16/17	17/18	% Diff 16/17 vs 17/18	18/19	% Diff 17/18 vs 18/19
No' of Contributors	9,634	9,760	1.31%	10,478	7.35%
No' of Pensioners	8,118	8,423	3.76%	8,664	2.86%
No' of Dependants	1,312	1,349	2.82%	1,361	0.89%
No' of Deferred*	15,854	16,724	5.49%	17,357	3.79%
Total Membership	**34,918**	**36,256**	**3.84%**	**37,860**	**4.43%**

* 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	17/18	18/19
Ill Health Retirement (Total)	11	15
Tier 1	6	7
Tier 2	1	0
Tier 3	1	0
From Deferred	3	8
Redundancy	69	50
Flexible	10	9
Voluntary at Normal Pension Age (NPA)	238	235
Voluntary before NPA	85	133
Late	63	48
Total	**476**	**490**

- 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 2019 is shown in the table and graph below.

Type of Member/Number within Age Band				
Age Band	**Actives**	**Deferred**	**Pensioners**	**Dependants**
05-10				4
10-15				17
15-20	130	26		25
20-25	481	383		21
25-30	867	1302		2
30-35	922	1871		1
35-40	1084	2028		2
40-45	1139	2099	1	7
45-50	1423	2408	9	14
50-55	1793	2998	20	25
55-60	1515	2775	227	41
60-65	819	1021	1503	76
65-70	237	267	2092	116
70-75	58	118	1992	187
75-80		31*	1234	191
80-85		12*	878	233
85-90		12*	481	227
90-95		5*	170	129
95-100		2*	58	38
100-105		1*	4	3
105-110				1

*These cases represent scheme members who are entitled to claim scheme benefits however member tracing to date has been unsuccessful.

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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.

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 2016/17 the Fund acquired four new direct fund manager relationships (and an additional indirect relationship with an existing manager) through the action of the pension fund merger with London Borough of Richmond (effective from 1 October 2016). The new managers subject to direct relationships were: -

CCLA Investment Management (manager of the LAMIT Local Authorities' Property Fund).
Legal & General Investment Management
Henderson Global Investors (now Janus Henderson)
Schroder Investment Management

In addition, an investment held via the London Collective Investment Vehicle (LCIV) in Baillie Gifford's Diversified Growth Fund was transferred.

During 2017/18 there were no significant changes to the manager structure maintained by the Fund although in July 2017 the global equity mandate managed by Longview Partners transferred to the London CIV (although this entailed no change in portfolio management style).

During 2018/19 there were two changes involving funds managed by the London CIV. The global equity holding managed Allianz Global Investors as the LCIV Global Equity Alpha Fund was redeemed in full and the proceeds placed with existing managers in global equity (LGIM) and Multi-Asset Credit ("MAC"), the latter pending long-term re-investment in new asset classes. In addition, the fund's existing holding in CQS' MAC fund was transferred to the London CIV as the "LCIV MAC Fund". Also, within the Fund's existing manager structure further units were purchased in two of the pooled property funds. The Fund also concluded manager search exercises in the areas of Private Debt and Infrastructure resulting in the appointment and commitment of funds to five new managers: JP Morgan and Pantheon (Infrastructure) and Brightwood, Churchill and Permira (Private Debt). Of these managers, 3 had received initial funding at 31 March 2019, totalling £27.9m.

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. 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.

The table below shows the fund's notional asset allocation target (as per the ISS) at 31 March 2019, as compared to the actual asset allocation at that point. Also included is the previous year end's position based on the same target allocation.

31 March 2019	Actual Asset Allocation	Actual Asset Allocation	Target Asset Allocation	Tolerance Ranges
	£'000	%	%	%
UK Equities	625,338	26.2	24.0	20.0 – 30.0
Overseas Equities	959,650	40.3	36.0	30.0 – 40.0
Fixed Interest Gilts	23,254	1.0	0.0	N/A
Corporate Bonds	253,533	10.6	10.0	5.0 – 15.0
Index Linked Bonds	46,075	1.9	5.0	2.0 – 8.0
Illiquid Credit	256,475	10.8	12.0	6.0 – 18 .0
Real Assets	119,348	5.0	12.0	5.0 – 20.0
Alternatives (DGF)	73,732	3.1	0.0	N/A
Cash / Other	25,104	1.1	1.0	0.5 – 2.0
Total	**2,382,509**	**100.0**	**100.0**	

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

31 March 2018	Actual Asset Allocation	Actual Asset Allocation	Target Asset Allocation	Tolerance Ranges
	£'000	%	%	%
UK Equities	604,694	26.8	24.0	20.0 – 30.0
Overseas Equities	1,023,744	45.4	36.0	30.0 – 40.0
Fixed Interest Gilts	53,201	2.4	0.0	N/A
Corporate Bonds	227,063	10.1	10.0	5.0 – 15.0
Index Linked Bonds	51,608	2.3	5.0	2.0 – 8.0
Illiquid Credit	106,731	4.7	12.0	6.0 – 18 .0
Real Assets	71,607	3.2	12.0	5.0 – 20.0
Alternatives (DGF)	94,467	4.1	0.0	N/A
Cash / Other	24,038	1.0	1.0	0.5 – 2.0
Total	**2,257,153**	**100.0**	**100.0**	

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

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 2019 (Annualised)	**1 Year %**	**3 Years %**	**5 Years %**	**10 Years %**	**20 Years %**	**30 Years %**
Local Authority Average	6.6	10.5	8.8	10.7	6.4	8.4
Local Authority Median	6.2	10.0	8.5	10.6	6.0	8.2
LB Wandsworth*	6.7	11.0	9.2	11.9	6.7	8.8
Ranking	**42**	**16**	**25**	**5**	**19**	**8**

Source: PIRC
*Incorporating LB Richmond's historical returns

Over the longest period measured (30 years) the record of the combined fund is ranked in the top decile of the 63 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 2019

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	+6.0	+6.4	-0.4	+2.0
UBS	UK Equity & IL Passive	+6.4	+6.4	0.0	-
Baillie Gifford (CIV)	Global Equity	+8.5	+11.0	-2.5	+2.0
Longview	Global Equity	+16.7	+12.6	+4.1	+2.0
Janus Henderson	Multi-Asset Enhanced	+6.8	+6.6	+0.2	+0.6
L&G	Multi-Asset Passive	+8.0	+8.0	0.0	-
Allianz [Ex-Rogge]	Multi-Asset Bonds	+3.6	+4.4	-0.8	+1.5
CQS	Multi-Asset Credit	+1.7	+4.8	-3.1	-
Oak Hill	Multi-Asset Credit	+1.6	+4.8	-3.2	-
Baillie Gifford (CIV)	Diversified Growth	+0.3	+4.2	-3.9	-
CCLA / LAMIT	Property	+6.0	+4.8	+1.2	+1.0
Janus Henderson	Property	+6.6	+4.8	+2.0	+1.0
L&G	Property	+3.6	+4.8	-1.2	+1.0
Schroders	Property	+5.5	+4.8	+0.7	+1.0

Excludes infrastructure and private debt managers funded Q1 2019 due to lack of performance history

In the most recent year, of the 14 mandates (or sub-mandates) separately reported 5 outperformed the benchmark index of which 3 also exceeded any additional performance target. Seven mandates under-performed the index and two – passive mandates – equalled it.

3 Years ending 31st March 2019

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	+10.6	+9.5	+1.1	+2.0
UBS	UK Equity & IL Passive	+9.5	+9.5	0.0	-
Baillie Gifford (CIV)	Global Equity	+17.9	+15.0	+2.9	+2.0
Longview	Global Equity	+15.4	+15.0	+0.4	+2.0
Janus Henderson	Multi-Asset Enhanced	+10.5	+10.2	+0.3	+0.6
L&G	Multi-Asset Passive	+12.3	+12.2	+0.1	-
Allianz [Ex-Rogge]	Multi-Asset Bonds	+6.3	+6.2	+0.1	+1.5
CQS	Multi-Asset Credit	+5.0	+4.5	+0.5	-
Oak Hill	Multi-Asset Credit	+5.5	+4.5	+1.0	-
Baillie Gifford (CIV)	Diversified Growth	+6.2	+4.0	+2.2	-
CCLA / LAMIT	Property	+6.2	+6.1	+0.1	+1.0
Janus Henderson	Property	+8.8	+6.1	+2.7	+1.0
L&G	Property	+5.2	+6.1	-0.9	+1.0
Schroders	Property	+7.5	+6.1	+1.4	+1.0

Excludes infrastructure and private debt managers funded Q1 2019 due to lack of performance history.

Of the 144 mandates (or sub-mandates) separately reported that have been operating for 3 years of more 122 outperformed the benchmark index of which 66 also exceeded any additional performance target. One mandate under-performed the index and one – a passive mandate – equalled it).

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	-
Allianz (CIV)	Global Equity	MSCI World Unhedged (Total Return)	+2.0
Baillie Gifford (CIV)	Global Equity	MSCI World All Countries Unhedged (Gross Dividend Re-invested)	+2.0
Longview	Global Equity	MSCI World Unhedged (Total Return)	+2.0
Henderson	Multi-Asset Enhanced	FTSE All Share; FTSEW N America; FTSEW Europe; FTSEW Japan; FTSEW Asia Pacific (ex Japan); iBoxx Sterling Non-Gilt Index *Floating weights from 01.07.18*	+0.6
L&G	Multi-Asset Passive	FTSE All-Share; FTSE World N America NetTax (UKPN); FTSE Dev Europe ex UK NetTax (UKPN); FTSE Japan NetTax (UKPN); FTSE Dev Asia Pac ex Japan NetTax (UKPN); FTSE Emerging NetTax (UKPN); FTSE A UK Gilts All Stocks; Markit iBoxx GBP Non-Gilts (AllStocks) *Floating weights from 01.05.18*	-
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	LIBOR + 4%	-
Oak Hill	Multi-Asset Credit	LIBOR + 4%	-
Baillie Gifford (CIV)	Diversified Growth	Base Rate +3.5% PA	-
CCLA / LAMIT	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0
Henderson	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

SECTION 3 - SCHEME ADMINISTRATION REPORT

Overview

1. 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.

2. The Pensions Shared Service comprises an establishment of 29 FTE staff working across three teams dealing with all aspects of pensions administration except investments. The work of each area is set out below:

Employer Responsibilities

3. The team is managed by a Pensions Manager (Employers) with a team of 6 staff undertaking employer's functions for members of the LGPS contributing across the Service. The main areas of responsibility for this team 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. This team also deals with redundancy and compensation benefits for employees and undertakes ad-hoc projects.

Data Management

4. The team is managed by a Pensions Manager (Data Management) with a team of 5 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.

Benefits

5. The team is managed by a Pensions Manager (Benefits) with a team of 14 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.

6. 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

7. 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.

8. The Head of Service is Martin Doyle. The team managers are: Andy Gray (Employer Responsibilities), Gabriela Olimon (Data Management). The Benefits team manager position is currently vacant. The managers of the service can be contacted by telephoning (020) 8871 6524 or by email to pensions@richmondandwandsworth.gov.uk. The Service reports to the Council's Assistant Director (Financial Services) Paul Guilliotti.

Review of 2018/19

1. The Service completed the usual annual tasks of Pensions Increase, updating of variable rate contributions and pensionable pay and end of year updating of member records. Annual benefit statements were issued by 31 August 2018 for both active and deferred scheme members.

2. Work on various one-off projects was undertaken throughout the year. The removal of contracting-out and reconciling Guaranteed Minimum Pension amounts in accordance with Government requirements. This work was expected to be completed by December 2018 however delays in responding to queries from pension schemes led to HMRC extending the timeframe within which the exercise is to be completed. It is now expected that the reconciliation work will be completed by March 2020.

3. This was the first year under the new contract for the pension administration system, Altair, for the Partnership (on behalf of Camden, Merton, Richmond, Waltham Forest and Wandsworth). The contract arrangements provide for software enhancements of a cloud-based portal for the transfer of employee records (i-Connect) and a member self-service (MSS) enhancement. The Service now has many of its employer payroll providers (across all Funds administered within the PSS) "live" on i-Connect and monthly updates of member records is taking place. Progress on going live with MSS stalled during the year as the Councils' IT network was unable to support a compatible internet browser. This issue has now been resolved and work has restarted on finalising the content on the MSS site before considering a phased roll-out.

4. Regular tracing and mortality checking has been undertaken leading to cleansing of address records and the tracing of "gone-away" scheme members. The annual Pensions Regulator Scheme Return now requires pension funds to measure the quality of the member data held and report the percentage of data that meets both the Common and Scheme Specific defined checks. Reports issued detailing the quality of member data held on Altair have been used to commence cleansing member records during this year.

5. Privacy Notices were published in respect of each Fund administered by the PSS under the new General Data Protection Regulation that was effective from 27 May 2018. The PSS also published a Memorandum of Understanding for each Fund and distributed these to employers participating in the Funds.

6. Enhancements in information technology within the Service saw the introduction of a new PSS website with the design, content and publication of the site achieved in November. The Service has developed appropriate scripts for an automated telephony system, Netcall, that signposts callers to our website to obtain information, forms and guides.

7. The Service has again reviewed its Risk Register and Business Continuity Plan during the year and been subject to both internal and external audits. This year the internal audit was undertaken for the whole of the PSS which led to savings in costs and time with one auditor undertaking the work on behalf of all four Funds. The audit was undertaken in January and the Service was found to have substantial assurance on the effectiveness of controls in operation. The recommendations raised were accepted and discussed at the Service Team Meetings.

8. The Service worked closely with the Fund's Local Pension Board (LPB) during the year. In response to a request from the LPB at the end of 2017/18, a formal three-year Work Plan was drafted, agreed by the LPB and published. Progress against the plan is reported at every LPB meeting.

9. The Board also worked closely with officers reviewing policy documents, the Funding Strategy and Investment Strategy statements and the Communications Policy of the Fund. The revised and adopted versions of these are included in this Annual Report.

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	17/18	18/19
In progress at start of year	3	2
New appeals during the year	4	0
In progress at end of year	2	0

IDRP	17/18			18/19		
	1st stage	2nd stage	PO	1st stage	2nd Stage	PO
Complaint Not Upheld	1	0	0	1	1	0
Complaint Upheld	3	0	0	0	0	0
Withdrawn	1	0	0	0	0	0

2018/19

At the start of the year 2 cases were in progress: appeals against the Council's decision not to award early payment of benefits on the grounds of ill health. There have been no new appeals received during the year. During the year, one case was concluded at stage 1 and the other at stage 2. Both complaints were not upheld and both related to the Council's decision not to award early payment of benefits on the grounds of ill health. At the end of the year there were no cases in progress.

SECTION 4 - ACTUARIAL REPORT ON FUND

Under regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS Pension Funds are required to commission and publish a valuation of the Fund on a specified date every three years. The last valuation was undertaken as at 31 March 2016 in accordance to the regulations in force at that date. An executive summary from the Fund actuary, Barnett Waddingham, is given below. This was reviewed by the Pensions Committee as part of the triennial actuarial report as at March 2016. See also Section 7 for the Funding Strategy Statement. The latest valuation report can be seen here:
https://www.wandsworth.gov.uk/the-council/how-the-council-works/council-finances/wandsworth-pension-fund/

Report by the Fund's Actuary - Executive Summary

Wandsworth Fund

We have carried out an actuarial valuation of Wandsworth Council Pension Fund (the Wandsworth Fund) as at 31 March 2016, as requested by Wandsworth Council. The Fund is part of the Local Government Pension Scheme (LGPS).

The valuation was carried out in accordance with Regulation 62 of the LGPS Regulations (the Regulations) as amended. The purpose of the valuation was to review the financial position of the Wandsworth Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020.

Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future.

The results of the valuation are set out in the full report addressed to Wandsworth Council as the administering authority to the Wandsworth Fund. That report is not intended to assist any user other than the administering authority in making decisions.

The results of the valuation are that the past service funding level of the Wandsworth Fund as a whole has increased from 95% to 101% between 31 March 2013 and 31 March 2016, largely due to better than expected investment returns over the period.

The whole Fund primary rate (i.e. the employer's share of the cost of benefits accruing) increased from 16.0% of payroll p.a. to 18.0% of payroll p.a. However, as the Wandsworth Fund is now in surplus, the average contribution towards deficit repayment has fallen from 3.0% of payroll p.a. (calculated based on a 17 year deficit recovery period) to zero.

Richmond Fund

As at 1 October 2016, the London Borough of Richmond Upon Thames Pension Fund (the Richmond Fund) merged with the Wandsworth Council Pension Fund under The Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016. The 31 March 2016 valuations for the two Funds were carried out separately for the individual Funds and therefore we have provided a summary of the Richmond Fund's 2016 valuation below.

The results of the valuation are set out in the full report addressed to London Borough of Richmond as the administering authority to the Richmond Fund. That report is not intended to assist any user other than the administering authority in making decisions.

The results of the valuation are that the past service funding level of the Richmond Fund as a whole has increased from 83% to 91% between 31 March 2013 and 31 March 2016, largely due to a change in assumptions underlying the present value of liabilities, reflecting a change in methodology since the last valuation.

The whole Fund primary rate (i.e. the employer's share of the cost of benefits accruing) reduced from 19.4% of payroll p.a. to 18.0% of payroll p.a..

At the 2013 valuation, the average deficit contribution required to recover the Richmond Fund's deficit over a 20 year period was 8.3% of payroll p.a. At the 2016 valuation, the recovery period was reduced to 12 years, with a resulting deficit contribution of 6.4% of payroll p.a. on a whole Fund level.

Graeme 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 2018/19 and 2019/20 were £2,744,603 and £1,755,681 respectively. The Total Capitalised Payments for both years differ from the Augmentation Contributions in Note 7 Contributions Receivable of the Pension Account by £545,000. The difference arises as additional information was obtained following production of the financial statements. In order to ensure the pension fund annual report is as accurate as possible, we have included the updated figures in the report. 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 17/18	Number in 18/19
Ill Health from active	8	7
Redundancy	69	50
Efficiency of the Service	0	0
Compassionate Retirement	0	0
Total	**77**	**57**
Total Capitalised Payments	**£2,744,603**	**£1,755,681**

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, their pensionable membership period is increased.
- 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

1. 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: -

"Administering authorities: governance compliance statement -

55. —(1) An administering authority must prepare a written statement setting out—

a) 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;
b) if the authority does so—
   (i) the terms, structure and operational procedures of the delegation,
   (ii) the frequency of any committee or sub-committee meetings,
   (iii) 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 at Wandsworth

2. The detail of the governance structure for the Council is set out in detail in the Council's Constitution, which is available at http://www.wandsworth.gov.uk/downloads/download/38/council_constitution

3. The Council delegates its function as an administering authority under the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 or parts of that function in relation to maintaining a pension fund to the Pensions Committee.

4. The frequency of Pension Committee meetings is in accordance with the Council's Constitution.

5. The terms of reference, structure and operational procedures of delegations can be found in the Council's Constitution.

6. Committee Membership is determined in accordance with the Council's Constitution and does not include Fund members or representatives of other employers.

7. Employers (and schools through the Wandsworth Schools' Forum) are consulted on decisions that affect them.

8. Fund members have an interest in benefit levels and the administration and service they receive when dealing with their pension rights. The Council's Pensions Service holds member User Groups that meet on average twice a year. The groups are made up of volunteers and provide a forum for Council officers and Fund members to raise any issues of concern. The volunteers are asked to actively comment on the administration of the LGPS within the Council. All Fund members who contact the Pensions Service with an enquiry 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.

9. Fund member views on issues pertaining to them are reported to committee as part of the decision-making process either directly or through the Local Pension Board which has access to all committee reports and therefore has special status to directly comment on any items being considered.

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	Local Government Pension Scheme Regulation updated to reflect current scheme for this report	August 2015

GOVERNANCE COMPLIANCE STATEMENT

Principle (CLG statutory Guidance)		Compliance
A - Structure	(a) That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	(a) Compliant. The management of the Council's Pension Fund administration and investment is delegated to the Council's Pensions Committee.
	(b) That representatives of participating LGPS employers, admitted bodies and fund members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	(b) Partial compliance. Although not strictly compliant, views from affected employers and representation from Fund members are considered (via User Groups) and these views are reflected within committee reports where appropriate.
	(c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	(c) Not applicable.
	(d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	(d) Not applicable.
B - Representation	(a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: -	(a) Partially Compliant. All Committee meetings are open to employers and Scheme members should they wish to attend. Pension Scheme members can put forward their views on both

	(i) employing authorities (including non-scheme employers, e.g., admitted bodies); (ii) scheme members (including deferred and pensioner scheme members), (iii) where appropriate, independent professional observers, and (iv) expert advisors (on an ad-hoc basis). (b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	the investment and administration of the Pension Fund via User Groups. Independent observers are not given membership of committees. Expert advisers' comments are included in reports where appropriate. 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 sub-committees to receive deputations from persons wishing to address councillors on agenda business to be discussed. (b) Not applicable.
C - Selection and Role of Lay Members	(a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	(a) Compliant. Members of the Committees are fully aware of their status, role and the function that they are required to perform. (b) Compliant.
D - Voting	(a) That 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.	(a) Compliant. Voting rights apply to Committee Members in accordance with the Council's Constitution.

E - Training/ Facility time/Expenses	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. (b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	(a) Compliant. Training is available to members of the Pensions Committee to assist with the decision-making process where required. (b) Compliant. Training is available to members of the Pensions Committee.
F - Meetings (frequency/quorum)	(a) That an administering authority's main committee or committees meet at least quarterly. (b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. (c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	(a) Compliant. The Pensions Committee meets quarterly. (b) Not applicable. (c) Compliant. Interests of key stakeholders are represented through User Groups, the Staff Side Secretary or from taxpayers.
G - Access	That subject to any rules in the council's constitution, all members of main and secondary	Compliant. Committee papers are sent to Members at least 5 clear working days prior to the

	committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	meeting, subject to the provisions of Section 100 of the Local Government Act 1972, as amended. Additionally, committee papers are published on the Council's website before the committee meeting date.
H - Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant. The Pensions Committee consider a wider range of Pension Fund issues outside of investment.
I - 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.	Compliant. The Governance Policy Statement is published on the Council's website and its existence is publicised in Scheme member newsletters. Scheme members and other interested parties may attend committee meetings and all Council committee reports are sent to the Council's Staff Side representative.

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 2018/19 the Committee held four conventional quarterly meetings on 29 May 2018, 6 September 2018, 28 November 2018 and 21 March 2019. In addition, special purpose meetings were held concerning (1) the audit of the Pension Fund accounts and (2) the appointment of new fund managers.

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.

29 May 2018 at 7.45 p.m.

Paper No. 18-141 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 18-142 reported on: Fund asset allocation and progress toward appointing managers in alternative credit / private debt and infrastructure; and equity protection strategies (to the effect that this was no longer being pursued as an option).

Paper No. 18-147 presented the minutes from the Local Pension Board's meeting held on 26 March 2018.

24 July 2018 at 7.00 p.m.

Paper No. 118-249 presented the Pension Fund Audit Report from Ernst & Young LLP (EY) relating the fund's accounts for year ending 31st March 2018.

21 August 2018 at 7.30 p.m.

Paper No. 18-261 (restricted) presented potential candidate managers to be appointed to manage the Fund's assets in alternative credit / private debt.

6 September 2018 at 7.30 p.m.

Paper No. 18-267 presented the Pension Fund Annual Report for 2017/18.

Paper No. 18-277 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 18-268 concerned New Governance Arrangements within the London CIV and Proposals for a Pension Recharge Guarantee.

In addition, the Committee received a presentation from Longview Partners.

30 October 2018 at 7.30 p.m.

Paper No. 18-261 (restricted) presented potential candidate managers to be appointed to manage the Fund's assets in real asset / infrastructure.

28 November 2018 at 7.45 p.m.

Paper No. 18-444 concerned: Fund asset allocation including progress toward long-term strategic targets (including an update on the appointment of managers in alternative credit / private debt and infrastructure and actual / potential additional investments in pooled UK commercial property); the Fund's "Top Ten Equity Holdings" (by value), including allocation held via pooled funds; an update on LCIV; an update on the "S13 review" carried out by the Government's Actuarial Department of funds' actuarial valuation results; a review of member training; and a report from the Chair of the Local Pension Board.

Paper 18-445 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 18- 446 presented the minutes from the Local Pension Board's meeting held on 29 October 2018.

In addition, the Committee received a presentation from Oakhill Advisors.

21 March 2019 at 7.45 p.m.

Paper No. 19-115 presented the Pension Fund Audit Plan for 2018/19.

Paper No. 19-116 concerned Joint Pensions Committee Procedures.

Paper No. 19-117 concerned: Fund asset allocation including progress toward long-term strategic targets (including an update on the appointment of managers in alternative credit / private debt and infrastructure and actual / potential additional investments in pooled UK commercial property); an update on LCIV; a proposed response to MHCLG's draft Guidance on Asset Pooling; and a proposed response to MHCLG's draft Guidance on the Fair Deal.

Paper No. 19-118 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 19-120 presented the fund's revenue budget for the reporting years 2019/20 and 2021/22 inclusive.

Paper No. 19-121 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Local Pension Board

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

The Board meets twice annually and in 2018/19 met on 29 October 2018 (other meetings took place on 26 March 2018 and 8 May 2019). 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
http://www.wandsworth.gov.uk/downloads/file/52/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

Mark Maidment Director of Resources	Councillor Guy Senior Chairman of Pensions Committee

Independent Auditor's Report to the Members of Wandsworth Pension Fund

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Pension Fund Account, the Pension Fund Net Assets Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources and Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Wandsworth Council Accounts, other than the financial statements and our auditor's report thereon. The Director of Resources and Deputy Chief Executive is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Resources and Deputy Chief Executive

As explained more fully in the Statement of the Director of Resources and Deputy Chief Executive's Responsibilities set out on page **Error! Bookmark not defined.**, the Director of Resources and Deputy Chief Executive is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources and Deputy Chief Executive is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Wandsworth Pension Fund, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wandsworth Pension Fund and Wandsworth Pension Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson
Ernst & Young LLP

Helen Thompson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

31 July 2019

The maintenance and integrity of the Wandsworth Pension Fund web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pension Fund Account

2017/18 £000		Note	2018/19 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(58,951)	Contributions receivable	*Note 7*	(59,942)
(7,661)	Transfers In from Other Pension Funds	*Note 8*	(10,357)
(66,612)			(70,299)
74,582	Benefits payable	*Note 9*	77,336
6,196	Payments to and on account of Leavers	*Note 10*	19,034
80,778			96,370
14,166	**Net (Additions)/Withdrawals from Dealings with Members**		**26,071**
8,036	Management Expenses	*Note* 11	10,064
22,202	**Net (Additions)/Withdrawals including Fund Management Expenses**		**36,135**
	Returns on Investments		
(33,986)	Investment income	*Note 12*	(31,141)
272	Taxes on income	*Note 12*	155
(72,264)	(Profit)/Loss on Disposal of Investment and changes in Market Value		(125,376)
(105,978)	**Net Returns on Investments**		**(156,362)**
(83,776)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(120,227)**
(2,182,680)	Opening Net Assets of the Fund		(2,266,456)
(2,266,456)	**Closing Net Assets of the Fund**		**(2,386,683)**

Net Assets Statement

31st March 2018 £000		Note	31st March 2019 £000
300	CIV Long Term Capital (Founders' Shares)		300
2,241,630	Investment Assets		2,363,811
16,621	Cash Deposits with FM		24,741
(1,098)	Investment Liabilities		(6,043)
2,257,453	**Total Net Investments**	*Note 14*	2,382,809
0	Long Term Debtor	*Note 22*	94
10,829	Current Assets (incl. bank)	*Note 21*	5,949
10,829			6,043
(1,826)	Current Liabilities	*Note 21*	(2,169)
(1,826)			(2,169)
2,266,456	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**2,386,683**

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 20**

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:

1. the Local Government Pension Scheme Regulations 2013 (as amended)
2. the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
3. 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 Council and Richmond Council.

b) Membership
Membership of the LGPS is contractual but employees are free to opt out of the scheme and choose to make their own personal arrangements outside of it.

Organisations participating in the Wandsworth Pension Fund include the following:

4. Scheduled bodies, which are automatically entitled to be members of the fund.
5. 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.
6. 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 2018		31st March 2019
63	**Number of Employers with Active Members**	**63**
	Number of Employees in the Fund	
7,325	Councils (LBRuT & WBC)	7,677
2,435	Other Employers	2,801
9,760	**Total**	**10,478**
	Number of Pensioners (including dependants)	
8,847	Councils (LBRuT & WBC)	9,054
925	Other Employers	971
9,772	**Total**	**10,025**
	Number of Deferred Pensioners	
11,963	Councils (LBRuT & WBC)	14,746
2,098	Other Employers	2,611
14,061	**Total ***	**17,357**
33,593	**Total Number of Members in the Fund**	**37,860**

* 2,663 members were excluded from 2017/18 figure, having left within the vesting period as it is uncertain whether they would retain any membership benefits. These are now included as deferred pensioners.

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 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 14.5% to 26.6% of pensionable pay.

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 uprated 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.

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its financial position at 31 March 2019. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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 20**.

The accounts have been prepared on a going concern basis.

Note 3 Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

1. Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
2. 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 23**) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (**Note 8**).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

In the case of bulk transfers, it is fairly common for the legal agreement to set a date for the transfer of assets and liabilities. This then becomes the date when the bulk transfer is recognised in the Fund Account. In practice it may take some time for assets to transfer between funds in respect of bulk transfers. Nonetheless they become assets of the receiving fund from the date of the legal agreement and hence should be accounted for on an accruals 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.
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 CIV) 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	All staff costs of the pensions administration team are recharged to the Fund along with associated management, accommodation and other overheads, which are apportioned to this activity and charged as expenses to the Fund.
Oversight and	All staff costs associated with governance and oversight are charged

governance	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 management expenses 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 11** and grossed up to increase the change in value of investments. Fees of the external investment managers and 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 two managers: Janus Henderson and Oakhill Advisors. 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. A proportion of the time spent by Council officers on investment management activity is recharged to the Fund.

Net Assets Statement

g) Financial assets

CIV Long Term Capital represents unlisted equity, although as regulatory capital of the CIV, the investment is not repayable on demand. Fair value at 31 March 2019 cannot be reliably estimated, so the shares are carried at cost. This value includes both Wandsworth and Richmond shares due to the funds having merged in 2016. Investments accessed via the CIV are reported as such in the relevant asset class.

Investments in Private Debt and Infrastructure are currently valued at transaction price ie cost. These Funds only became active in the final quarter of the 2018/19 financial year and no reliable trading results or profit forecasts are as yet available. Consequently, the Pension Fund's view is that the market value of this investment at 31 March 2019 cannot be reasonably assessed and that cost is therefore the best available estimate of fair value.

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. 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 annually as at the year-end date by independent external valuers on a fair value basis, see **Note 16** 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.

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.

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.

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

m) Loans and receivables
Financial assets classed as amortised cost are carried in the Net Asset Statement at amortised cost, ie the outstanding principal receivable as 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 party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, 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 at amortised cost ie the amount carried in the Net Asset Statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

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 International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (**Note 20**).

p) Additional voluntary contributions
The Wandsworth Pension 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 23**.

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 the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that 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 4 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 19**. 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.

Private Debt and Infrastructure investments
Investments in Private Debt and Infrastructure are valued at transaction price ie cost. These funds only became active in the final quarter of the 2018/19 financial year and no reliable trading results or profit forecasts are as yet available. Consequently, the Pension Fund's view is that the market value of this investment at 31 March 2019 cannot be reasonably assessed and that cost is therefore the best available estimate of fair value.

Note 5 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. 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
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 £52.1m a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £4.1m a one-year increase in assumed life expectancy would increase the liability by approximately £108.4m.

Note 6 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 2019 which reflect conditions as at the 31 March 2019. The financial statements have not been adjusted for any post balance sheet events which took place after 31 March.

Note 7 Contributions Receivable

31st March 2018 £000		31st March 2019 £000
14,304	**Employees' Contributions**	**14,440**
36,694	Normal Contributions	39,386
4,707	Deficit Recovery Contributions	4,906
3,246	Augmentation Contributions	1,210
44,647	**Employers' Contributions**	**45,502**
58,951	**Total Contributions by Category**	**59,942**
52,302	Scheduled Bodies	52,829
3,524	Admitted Bodies	3,346
3,125	Designated Bodies	3,767
58,951	**Total Contributions by Body**	**59,942**

Note 8 Transfers In from Other Pension Funds

31st March 2018 £000		31st March 2019 £000
0	Group Transfers	2,411
7,661	Individual Transfers	7,946
7,661		**10,357**

Note 9 Benefits Payable

31st March 2018 £000		31st March 2019 £000
60,640	Pensions	63,784
11,455	Commutation and Lump Sum Retirement Benefits	11,437
2,487	Lump Sum Death Benefits	2,115
74,582	**Total Benefits by Category**	**77,336**
70,771	Scheduled Bodies	72,970
3,424	Admitted Bodies	3,873
387	Designated Bodies	493
74,582	**Total Benefits by Body**	**77,336**

Note 10 Payments To and On Account of Leavers

31st March 2018 £000		31st March 2019 £000
279	Refund to Members Leaving Service	408
0	Group Transfers	9,019
5,917	Individual Transfers	9,607
6,196	**Total Payments to/on account of Leavers**	**19,034**

Note 11 Management Expenses

2017/18 £000		2018/19 £000
851	Administrative Costs	1,068
6,859	Investment Management Expenses	8,671
326	Oversight & Governance Costs	325
8,036	**Total Management Costs**	**10,064**
5,626	Management Fees	6,933
469	Performance Related Fees	356
49	Custody Fees	54
715	Transaction Costs	1,328
6,859	**Total Investment Management Costs**	**8,671**

Note 12 Investment Income

2017/18 £000		2018/19 £000
(6,301)	Fixed Interest Securities	(6,117)
(11,751)	Equity Dividends	(7,994)
(15,914)	Pooled Investment (Unit Trusts & Other Managed Funds)	(16,925)
(20)	Interest on Cash Deposits	(105)
(33,986)	**Total Investment Income**	**(31,141)**
	Taxes on Income	
180	Overseas Withholding Tax on Equities	26
92	Overseas Withholding Tax on Pooled Vehicles	129
272	**Total Taxes on Income**	**155**

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

Note 13 External Audit Costs

31st March 2018 £000		31st March 2019 £000
38	Payable in respect of external audit	30
38		**30**

Note 14 Investments

31st March 2018 £000		31st March 2019 £000
	Long Term Investments	
300	CIV Founders' Shares	300
	Investment Assets	
184,650	Fixed Interest Securities	198,186
178,327	Equities	188,451
1,798,531	Pooled Investments	1,839,819
71,607	Pooled Property Investments	105,818
0	Infrastructure	13,530
0	Private debt	11,585
	Derivative Contracts	
362	- Futures	128
89	- Forward currency contracts	216
314	Cash Collateral	284
4,734	Investment Income Due	4,213
3,016	Amounts Receivable for Sales	1,581
2,241,630	**Other Investment Assets**	**2,363,811**
16,621	Cash Deposits	24,741
2,258,551	**Total Investment Assets**	**2,388,852**
	Investment Liabilities	
	Derivative Contracts	
(396)	- Futures	(403)
(495)	- Forward currency contracts	(3,228)
0	Amounts Payable for Purchases	(2,196)
(207)	Other Investment Liabilities	(216)
(1,098)	**Total Investment Liabilities**	**(6,043)**
2,257,453	**Net Investment Assets**	**2,382,809**

Note 14a Reconciliation of Movements in Investments and Derivatives

Asset Category	Market Value 1 April 2017	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 2018
	£000	£000	£000	£000	£000
Fixed Interest Securities	181,996	140,415	(134,783)	(2,978)	184,650
Equities	441,509	118,569	(381,278)	(473)	178,327
Pooled Investments	1,466,793	538,830	(275,891)	68,799	1,798,531
Pooled Property Investments	66,175	921	(803)	5,314	71,607
Investments excl. Derivatives & CIV	**2,156,473**	**798,735**	**(792,755)**	**70,662**	**2,233,115**
Derivative Contract:					0
Futures	21	1,631	(1,814)	128	(34)
Forward Currency Contracts	(121)	3,060	(4,436)	1,091	(406)
	2,156,373	**803,426**	**(799,005)**	**71,881**	**2,232,675**
Other Investment Balances:					0
Cash Deposits	21,781			(67)	16,621
Amount Receivable for Sales & Investments	592			20	3,016
Investment Income Due	4,114				4,734
Spot FX Contracts	3			(253)	0
Amount Payable for Purchases of Investments	(513)				0
Cash Collateral	174			0	107
Obligation to Return Cash Collateral	0				0
Total Net Investments excl. CIV	**2,182,524**			**71,581**	**2,257,153**
Other changes charged to the Fund Account				683	
Profit/(Loss) on Disposal of Investment and changes in Market Value				**72,264**	

Asset Category	Market Value 1 April 2018	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 2019
	£000	£000	£000	£000	£000
Fixed Interest Securities	184,650	87,564	(77,028)	2,999	198,185
Equities	178,327	119,752	(113,095)	3,467	188,451
Pooled Investments	1,798,531	953,758	(1,039,202)	126,732	1,839,819
Pooled Property Investments	71,607	31,582	0	2,629	105,818
Infrastructure	0	13,530	0	0	13,530
Private debt	0	11,585	0	0	11,585
Investments excl. Derivatives & CIV	**2,233,115**	**1,217,771**	**(1,229,325)**	**135,827**	**2,357,388**
Derivative Contract:					
Futures	(34)	1,501	(1,490)	(252)	(275)
Forward Currency Contracts	(406)	29,756	(21,483)	(10,878)	(3,011)
	2,232,675	**1,249,028**	**(1,252,298)**	**124,697**	**2,354,102**
Other Investment Balances:					
Cash Deposits	16,621			82	24,741
Amount Receivable for Sales & Investments	3,016			(13)	1,581
Investment Income Due	4,734			0	4,213
Spot FX Contracts	0			(64)	0
Amount Payable for Purchases of Investments	0			(8)	(2,196)
Cash Collateral	107			0	68
Obligation to Return Cash Collateral	0				0
Total Net Investments excl. CIV	**2,257,153**			**124,694**	**2,382,509**
Other changes charged to the Fund Account				682	
Profit/(Loss) on Disposal of Investment and changes in Market Value				**125,376**	

Purchases and sales of derivatives are recognised as follows:

1. 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.
2. Forward currency contracts settlements are reported as gross receipts and payments.

Note 14b Analysis of Investments

31st March 2018 £000		31st March 2019 £000
	Fixed Interest Securities	
	UK	
6,728	Public Sector - quoted	6,029
66,651	Corporate - quoted	66,263
35,083	Public Sector - index linked	33,655
	Overseas	
3,080	Public Sector - quoted	9,238
73,108	Corporate - quoted	83,000
184,650	**Fixed Interest Securities total**	198,185
	Equities	
	UK	
173,157	Quoted	181,260
	Overseas	
5,170	Quoted	7,191
178,327	**Equities total**	188,451
	Pooled Funds - Additional analysis	
	UK	
244,251	Fixed Income Unit Trust	362,765
526,004	Equity Unit Trust	510,618
0	Diversified Growth Unit Trust	0
	Overseas	
9,703	Fixed Income Unit Trust	6,786
1,018,573	Equity Unit Trust	959,650
1,798,531	**Pooled Funds total**	1,839,819
71,607	Pooled Property Investments (UK)	105,818
0	Infrastructure (Overseas)	13,530
0	Private Debt (Overseas)	11,585
2,233,115	**Total Investments excl. derivatives & CIV**	**2,357,388**
(440)	Derivatives	(3,287)
7,857	Other investments	3,667
16,621	Cash	24,741
24,038		25,121
2,257,153	**Total Net Investments excl. CIV**	**2,382,509**

Note 14c Investments Analysed by Fund Manager

Market Value 31st March 2018 £000	%		Market Value 31st March 2019 £000	%
182	0.0	Aberdeen (Property Pooled Vehicle)	176	0.0
237,368	10.5	London LGPS CIV (Baillie Gifford Global Equity)	255,992	10.8
4,417	0.2	CCLA / LAMIT (Pooled Property)	4,486	0.2
57,238	2.5	London LGPS CIV and Direct CQS (Multi-Asset Credit)	139,281	5.8
245,090	10.9	Janus Henderson (Multi-Asset & Pooled Property)	235,744	9.9
350,118	15.5	L&G (Passive Multi-Asset & Pooled Property)	456,244	19.1
231,309	10.2	London LGPS CIV (Allianz Global Equity)	22	0.0
94,467	4.2	London LGPS CIV (Baillie Gifford DGF)	73,732	3.1
284,451	12.6	London LGPS CIV (Longview Global Equity)	331,816	13.9
10,037	0.4	Northern Trust (Custodian)	16,436	0.7
49,493	2.2	Oakhill (Multi-Asset Credit)	105,603	4.4
181,823	8.1	River & Mercantile (UK Equity)*	192,576	8.1
200,866	8.9	Allianz (Enhanced Bonds)*	208,064	8.8
33,065	1.5	Schroders (Pooled Property)	43,546	1.8
277,229	12.3	UBSGAM (Passive Multi-Asset)	293,407	12.3
0	0.0	Russell Investments (FX Overlay)*	(2,393)	(0.1)
0	0.0	Pantheon Ventures (Infrastructure)	13,530	0.6
0	0.0	Brightwood (Private Debt)	4,097	0.2
0	0.0	Churchill (Private Debt)	10,150	0.4
2,257,153	**100.0**	**Fund Manager total**	**2,382,509**	**100**
300		CIV Founders Shares	300	
2,257,453		**Total Net Investments**	**2,382,809**	
		* 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 2018 £000	% of Fund		Market Value 31st March 2019 £000	% of Fund
284,316	12.6	Longview (Global Equity)	331,676	13.9
260,703	11.6	UBSGAM Life UK Equity Tracker	275,699	11.6
237,335	10.5	London LGPS CIV (Baillie Gifford Global Equity)	255,906	10.7
231,268	10.3	London LGPS CIV (Allianz Global Equity)	0	0.0
0	0.0	LGIM Global Developed Passive (Global Equity)	214,165	9.0
1,013,622	**45.0**	**Total Investment Assets**	**1,077,446**	**45.2**

Note 14d 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 14e Property Holdings

The Fund's investment in property comprises investments in pooled property funds.

Note 15 Analysis of Derivatives

Objectives and Policies for Holding Derivatives
Most of the holding in derivatives is 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 more fully described in **Note 16B**.

a) Futures
The Fund holds futures as part of the fund managers' interest rate risk management strategy.

b) Forward Foreign Currency
A significant proportion of the Fund's portfolio is held in overseas currencies. To reduce the volatility associated with fluctuating currency rates, the Fund holds foreign exchange forward currency contracts to hedge this exposure.

Futures

Outstanding exchange traded futures contracts are as follows:

Economic Exposure £000	Market Value 31st March 2018 £000	Type	Expires	Economic Exposure £000	Market Value 31st March 2019 £000
		Assets			
368	4	UK Fixed Income Futures	< 1 Year	0	0
14,498	357	Overseas Fixed Income Futures	< 1 Year	11,248	128
	361	**Total Assets**			**128**
		Liabilities			
0	0	UK Fixed Income Futures	< 1 Year	0	0
(58,886)	(395)	Overseas Fixed Income Futures	< 1 Year	(31,132)	(403)
	(395)	**Total Liabilities**			**(403)**
	(34)	**Net Futures**			**(275)**

Open Forward Foreign Currency Contracts

Settlements	Currency Bought	Local Value of Currency Bought	Currency Sold	Local Value of Currency Sold	Asset Value	Liability Value
		£000		£000	£000	£000
< 1 month	IDR	136,807,520	USD	(9,621)	3	(47)
< 1 month	RUB	347,256	USD	(5,157)	84	
< 1 month	BRL	28301	USD	(7,562)		(229)
< 1 month	USD	5,183	RUB	(347,256)		(64)
< 1 month	USD	13,253	GBP	(10,032)	124	
< 1 month	GBP	168,072	USD	(220,498)		(907)
1-6 months	USD	708	GBP	(537)	5	
1-6 months	GBP	173835	USD	(228,289)		(832)
1-6 months	EUR	894	GBP	(778)		(6)
1-6 months	EUR	1,015	USD	(1,155)		(6)
1-6 months	NZD	51	USD	(35)		
1-6 months	USD	133	CAD	(177)		
1-6 months	GBP	16166	CAD	(28,615)		(237)
1-6 months	GBP	11,599	AUD	(21,596)		(141)
1-6 months	GBP	53,121	EUR	(61,759)		(258)
1-6 months	GBP	6,071	HKD	(62,904)		(68)
1-6 months	GBP	5,445	SEK	(66,400)		(61)
1-6 months	GBP	14424	CHF	(18,821)		(136)
1-6 months	GBP	2,137	SGD	(3,818)		(20)
1-6 months	GBP	39,214	JPY	(5,672,810)		(216)
Open Forward Currency Contracts at 31st March 2019					**216**	**(3,228)**
Net Forward Currency Contracts at 31st March 2019						**(3,012)**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2018					88	(495)
Net Forward Currency Contracts at 31st March 2018						(407)

Note 15a Hedge Accounting

Hedging is the process of entering into a derivative contract with the objective of reducing or eliminating exposure to a particular type of risk. This is achieved because expected changes in the value or cash flows of the hedged item move in the opposite direction to expected changes in the value or cash flow of other investment holdings.

The Pension Fund has entered into a passive currency hedging programme, commencing in May 2018 in order to manage risk, and not for speculation purposes. Under the programme, hedge investments are purchased to manage exchange rate risk in foreign currency 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 2018/19:

Financial instrument	**How this has been applied to manage risk**	**Possible impact on future cash flows***
Fair value 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.	A reduction of 10% in current carrying value could reduce the year end Fund Account balance by £0.26m.

** the percentages used above represent the maximum forecast reduction for this type of hedging arrangement as advised by the Fund's independent investment advisor.*

The details of the passive currency hedging implementation are as follows:

Asset Class	**Methodology**
Global Equity	50% of notional currency exposure is hedged using rolling 3-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 3-month OTC (Non-Collateralised) Currency Forwards.
Private Debt	100% of the currency exposure is hedged using rolling 3-month OTC (Non-Collateralised) Currency Forwards.

The table below sets out the impact that the passive currency hedging programme has had on the Fund's overall financial position and performance:

Forward Foreign Exchange Contracts	Inception date	Carrying Value at 31st March 2019	Changes in Fair Value in 2018/19	Changes in Fair Value since Inception	Hedge effectiveness 2018/19	Hedge effectiveness since Inception	Where effectiveness has been recognised
		£000	£000	£000	%	%	
Hedging Equity	31/05/2018	(2,429)	(8,661)	(8,661)	-2.0%	-2.0%	As part of change in market value of investments
Hedging Infrastructure	01/02/2019	(117)	(99)	(99)	-0.8%	-0.8%	As part of change in market value of investments
Hedging Private Debt	01/02/2019	(90)	(90)	(90)	-0.8%	-0.8%	As part of change in market value of investments

Note 16 Fair Value – Basis of Valuation

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Unquoted private debt and infrastructure are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2019 because they are held to maturity in a closed-end pooled fund which is not traded, and because the investment only became active in the final quarter of the 2018/19 financial year and no reliable trading results or profit forecasts are as yet available. This position will be reviewed annually.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Fixed Interest Securities	Level 1	Market value based on current yields	Not Required	Not Required
Equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Pooled Investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Pooled Property Investments	Level 1	Closing bid price where bid and offer prices are published Closing single price where single price published	Not Required	Not Required
Forward Currency Contracts	Level 2	Market forward exchange rates ta the year end	Exchange rate risk	Not Required
Cash Deposits	Level 1	Cash	Not Required	Not Required
Cash Collateral	Level 1	Cash	Not Required	Not Required
Private Debt	Level 3	Valued at cost	Not Required	Not Required
Infrastructure	Level 3	Valued at cost	Not Required	Not Required

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation 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 2019.

Asset	Assessed valuation range	Value at 31st March 2019	Value on Increase	Value on Decrease
	(+/-)	£000	£000	£000
UK Property Funds	13.9%	176	200	152
Overseas Equities	19.2%	920	1,097	743
Infrastructure	15.0%	13,530	15,560	11,501
Private Debt	10.8%	11,585	12,836	10,334
		26,211	**29,693**	**22,730**

Note 16a Fair Value Hierarchy

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

1. Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
2. Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data (e.g. property assets valued based on similar local market transactions).
3. 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 table that follows 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 2018			
	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	179,003	2,054,696	182	2,233,881
Loans & Receivables	17,921	6,450	0	24,371
	196,924	**2,061,146**	**182**	**2,258,252**
Financial Liabilities				
Fair value through profit and loss	(603)	(495)	0	(1,098)
	(603)	**(495)**	**0**	**(1,098)**
Total	**196,321**	**2,060,651**	**182**	**2,257,154**

	31st March 2019			
	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	187,939	2,143,866	26,211	2,358,016
Loans & Receivables	25,672	4,863	0	30,535
	213,611	**2,148,729**	**26,211**	**2,388,551**
Financial Liabilities				
Fair value through profit and loss	(618)	(5,424)	0	(6,042)
	(618)	**(5,424)**	**0**	**(6,042)**
Total	**212,993**	**2,143,305**	**26,211**	**2,382,509**

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

Note 16b Reconciliation of Fair Value Measurements within Level 3

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

	Market Value 1st April 2018	T/frs Into Level 3	T/fes Out of Level 3	Purchases During the Year End & Derivative Payments	Sales During the Year End & Derivative Payments	Unrealised Gains / (Losses)	Realised Gains / (Losses)	Market Value 31st March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
UK Property Funds	182	0	0	0	0	(5)	0	177
Overseas equities	0	0	0	758	0	162	0	920
Infrastructure	0	0	0	13,530	0	0	0	13,530
Private Debt	0	0	0	11,585	0	0	0	11,585
	182	0	0	25,873	0	157	0	26,212

Note 17a Classification of Financial Instruments

31st March 2018				31st March 2019		
Fair Value through P/L £000	Assets at Amortised Cost £000	Liabilities at Amortised Cost £000		Fair Value through P/L £000	Assets at Amortised Cost £000	Liabilities at Amortised Cost £000
			Financial Assets			
184,650			Fixed Interest Securities	198,186		
178,327			Equities	188,451		
1,798,531			Pooled Investments	1,839,818		
71,607			Pooled Property Investments	105,818		
0			Infrastructure	13,530		
0			Private Debt	11,585		
451			Derivative Contracts	344		
0	16,621		Cash	0	24,741	
314	4,734		Other Investment Balances	284	4,213	
0	3,016		Current Assets	0	1,581	
2,233,880	**24,371**	**0**	**Total Assets**	**2,358,016**	**30,535**	**0**
			Financial Liabilities			
(891)			Derivative Contracts	(3,631)		
(207)			Other Investment Balances	(215)		
0			Creditors	(2,196)		
(1,098)	**0**	**0**	**Total Liabilities**	**(6,042)**	**0**	**0**
2,232,782	**24,371**	**0**	**Net Total**	**2,351,974**	**30,535**	**0**

Note 17b Net Gains & Losses on Financial Instruments

2017/18 £000		2018/19 £000
	Financial Assets	
70,050	Fair value through profit and loss	135,826
20	Assets at amortised cost – realised gain	83
70,070		**135,909**
	Financial Liabilities	
1,218	Fair value through profit and loss	(11,130)
(320)	Liabilities at amortised cost – realised loss	(85)
898		**(11,215)**
70,968	**Net Gain on Financial Instruments**	**124,694**

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.

Note 18 Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (ie promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The 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. Policies are reviewed regularly to reflect changes in activity and in 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 and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

1. the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
2. specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter (OTC) equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

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

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

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 2019/20, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value at 31st March 2018	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
UK Equities	609,864	15.6%	705,002	514,725
Overseas Equities	1,018,574	17.6%	1,197,843	839,305
UK Fixed Interest Gilts	53,201	6.9%	56,872	49,530
UK Index-Linked Gilts	46,633	9.6%	51,109	42,156
UK Non Government Bonds	216,845	7.2%	232,457	201,232
UK Non Government Index Linked	4,976	9.6%	5,454	4,498
Overseas Bonds	10,185	9.9%	11,194	9,177
Multi-Asset Credit	106,731	7.1%	114,309	99,153
Diversified Growth Fund	94,467	10.2%	104,103	84,832
Pooled Property Investments	71,607	14.1%	81,704	61,511
Total Assets Invested excluding derivatives, other investments and cash	**2,233,083**		**2,560,047**	**1,906,119**

Asset type	Value at 31st March 2019 £000	Potential Market Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
UK Equities	618,146	17.3%	725,084	511,207
Overseas Equities	966,842	19.2%	1,152,476	781,208
UK Fixed Interest Gilts	29,283	7.1%	31,362	27,204
UK Index-Linked Gilts	46,075	9.2%	50,313	41,836
UK Non Government Bonds	232,979	7.1%	249,520	216,437
UK Non Government Index Linked	5,277	9.2%	5,762	4,792
Overseas Bonds	9,238	9.9%	10,154	8,323
Multi-Asset Credit	244,882	7.9%	264,228	225,536
Diversified Growth Fund	73,732	9.7%	80,884	66,581
Pooled Property Investments	105,818	13.9%	120,527	91,110
Infrastructure	13,530	15.0%	15,560	11,502
Private Debt	11,585	10.8%	12,836	10,335
Total Assets Invested excluding derivatives, other investments, cash and CIV	**2,357,387**		**2,718,706**	**1,996,071**

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 2019 and 31 March 2018 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. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. Experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

	Carrying Amount 31st March 2018 £000	Change in Year in Net Assets Available to Pay Benefits +100bps £000	-100bps £000
Asset Type			
Cash and Cash Equivalents	16,621	166	(166)
Fixed Interest Securities	184,650	1,847	(1,847)
Fixed Income Pooled Funds	253,954	2,540	(2,540)
Total	**455,225**	**4,553**	**(4,553)**

	Carrying Amount 31st March 2019 £000	Change in Year in Net Assets Available to Pay Benefits +100bps £000	-100bps £000
Asset Type			
Cash and Cash Equivalents	29,117	291	(291)
Fixed Interest Securities	198,186	1,982	(1,982)
Fixed Income Pooled Funds	369,550	3,696	(3,696)
Total	**596,853**	**5,969**	**(5,969)**

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

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:

Currency Exposure - Asset Type	Asset Value at 31st March 2018 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Cash	921	10%	1,013	829
Overseas Unit Trust	1,018,574	10%	1,120,431	916,717
Overseas Securities (quoted)	5,170	10%	5,687	4,653
Overseas Public Sector Bonds (quoted)	3,080	10%	3,388	2,772
Overseas Corporate Bonds (quoted)	73,108	10%	80,419	65,797
Total Overseas Assets	**1,100,853**		**1,210,938**	**990,768**

Currency Exposure - Asset Type	Asset Value at 31st March 2019 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Cash	3,183	10%	3,501	2,865
Overseas Unit Trust	966,436	10%	1,063,080	869,792
Overseas Securities (quoted)	7,191	10%	7,910	6,472
Overseas Public Sector Bonds (quoted)	9,238	10%	10,162	8,314
Overseas Corporate Bonds (quoted)	83,000	10%	91,300	74,700
Overseas Infrastructure	13,530	10%	14,883	12,177
Overseas Private Debt	11,585	10%	12,744	10,427
Total Overseas Assets	**1,094,163**		**1,203,580**	**984,747**

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 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. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly. As part of the review the Fund's exposure to lower rated bonds is monitored to ensure the risk of default is managed.

Balances at 31st March 2018		Rating	Balances at 31st March 2019
£000			£000
	Moneymarket Funds		
16,275	NTGI Global Cash Fund	AAA	23,987
	Bank Deposit Accounts		
346	Variation margin		754
	Bank Current Accounts		
7,905	Held with the Council's Bank		4,376
24,526	**Total**		**29,117**

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

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 contributions due at 31 March 2019 and 31 March 2018 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.

Five 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. 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 2018/19 or in 2017/18.

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 positive taking into account employer contributions and investment returns being retained as cash rather than reinvested, and excluding one-off events such as large transfers.

The Fund ensures liquidity by:

1. holding day to day cash in an interest-bearing account with its bank with daily liquidity
2. 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)

3. investing in a range of assets and pooled vehicles which could be liquidated with sufficient notice to fund large planned cash outflows

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 2019 the value of illiquid assets represented £365.7m, 15.3% of the total fund value (at 31 March 2018 this was £3.3m or 0.15% of the total fund).

Refinancing risk
The key risk is that the Pension Fund will need to replenish a significant proportion of its debt instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk. The long term investment horizon of the Fund gives more scope to manage this risk.

Note 19 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 2016 and the next valuation is due to take place as at 31 March 2019.

The key elements of the funding policy are:

1. 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
2. to ensure that employer contribution rates are as stable as possible
3. 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
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so and
5. 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.

At the time of the triennial review, Richmond and Wandsworth Councils had individual funds. The Richmond Fund was merged into the Wandsworth Fund at 1st October 2016, but as this was after the valuation date, there are currently two triennial valuation reports to consider for the Wandsworth Fund and both will be mentioned in this note.

The aim is to achieve 100% solvency over a period of 12 years (LBRuT Fund only) and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. At the 2016 actuarial valuation, the Wandsworth Borough Council Fund was assessed as 101% funded (95% at the March 2013 valuation). As a result, no monetary deficit applied to the Fund as at the valuation date. The London Borough of Richmond Fund was assessed as 91% funded (83% at the March 2013 valuation as measured by the Fund's former actuary, Hymans Robertson LLP). The aggregate monetary deficit of the LBRuT Fund was measured as £56.675m.

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 2016 actuarial valuation report and the funding strategy statement on the website of the Fund's Administering Authority.

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 2018 % p.a.	Assumptions as at	31st March 2019 % p.a.
3.8	Salary Increases	3.9
2.3	Pensions Increases	2.4
2.6	Discount Rate	2.4

Demographic assumptions

The assumed life expectancy from age 65 is as follows:

31st March 2018		31st March 2019
	Life Expectancy	
	Retiring Today:	
24.5	- Male	23.4
26.1	- Female	24.8
	Retiring in 20 years:	
26.8	- Male	25.0
28.4	- Female	26.6

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option
It is assumed that 10% of active members (evenly distributed across age, service length and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

Note 20 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 19**). The actuary has also valued ill health and death benefits in line with IAS 19.

McCloud Ruling
The figures disclosed below have been revised to include the actuary's best estimate of the impact of the recent ruling on the McCloud case. This found that transitional arrangements for public sector pension reforms were a form of age discrimination. The case specifically addressed the judges and firefighters schemes, but a subsequent government statement confirms the principle will apply to all public sector pension schemes. The impact of extending the protection is to increase the scheme liabilities. The present value of promised retirement benefits including the cost of McCloud has gone up from £2.858bn to £2.870bn (an estimated increase of £12m).

31 March 2018 £m		31 March 2019 £m
(2,817)	Present value of promised retirement benefits	(2,870)
2,265	Fair value of scheme assets (bid value)	2,387
(552)	**Net Liability**	**(483)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see **Note 19**) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2018 % p.a.		31 March 2019 % p.a.
2.35	Inflation / pension increase rate assumption	2.40
3.85	Salary increase rate	3.90
2.55	Discount rate	2.40

Note 21 Current Assets & Liabilities

Balance at 31st March 2018		Balance at 31st March 2019
£'000		**£'000**
	Current Assets	
7,905	Cash at Bank	4,392
(80)	Cash in Transit	0
479	Contributions Due from Employers	817
0	VAT recovery due	151
1,601	Amount Due from Richmond & Wandsworth	187
67	Overpaid Pensions	29
857	Sundry Debtors	373
10,829		**5,949**
	Current Liabilities	
(131)	Unpaid Benefits	(661)
(417)	Fund Managers' fees	(344)
(423)	Amount Due to Richmond & Wandsworth	0
(413)	Amount Due to HMRC	(748)
(5)	Pensions Due	0
(24)	Pensions Due to Estate of deceased pensioner	(4)
(413)	Sundry Creditors	(412)
(1,826)		**(2,169)**

Note 22 Long Term Debtors

31st March 2018 £000		31st March 2019 £000
	Long Term Debtors	
0	Lifetime tax allowance paid in year	98
0	Recovery from pension in year	(4)
0		94

Balances were not material at 31st March 2018 and therefore not reported.

Note 23 Additional Voluntary Contributions

31st March 2018 £000		31st March 2019 £000
	Market Value of AVCs	
4,113	**Balance at the Beginning of the Year**	**3,738**
424	Investments Purchased with AVCs	651
(941)	Sale of Investments to settle Benefits Due to Members	(605)
142	Change in Value of AVCs (investment income and changes in market value)	180
3,738	**Balance at End of the Year**	**3,964**

Note 24 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.

The amount paid on behalf of LB Richmond for 2018/19 was £0.878m, with payments on behalf of other employers totalling less than £100k. This is similar to payments in 2017/18.

Note 25 Related Party Transactions

Governance (Control of the Fund)

In 2016/17 the London Borough of Richmond (LBR) 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 three members from the former LBR Pension Fund Committee being co-opted to the existing WBC Pension Committee. Of the nine members serving on the Committee, four members have 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 Richard Perry, Graham Russell, Jeremy De Souza, Susan Shaw, Peter Quirk, Roy Roach are active members of the pension fund.

Details of how the scheme benefits are administered can be found at: www.lgps.org.uk

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:

1. Mr M. Maidment (Director of Resources and Deputy Chief Executive)
2. Mr P Guilliotti (Assistant Director - Financial Services)
3. Ms C Hollands (Head of Pensions Shared Service)
4. Mr M. Smith (Pension Fund Controller)

They are all active members of the LGPS as SSA employees. The SSA is also the single largest employer of 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 the Fund, and with the Councils as employers in the Fund.

Wandsworth Council charged the Pension Fund £753,672 for expenses incurred in administering the Fund in 2018/19, compared to £659,365 for 2017/18. The Councils' charges for administration of and the provision of associated services to the Fund are included in the totals in **Note 11**, including £1.1m in Administration Costs and £0.3m in Oversight & Governance Costs.

This includes an element of the salary of the Director of Resources and Deputy Chief Executive. His total remuneration is required to be disclosed in the administering authority's accounts due to his role. The figures given below reflect the total remuneration, not the value attributable to the Fund:

2018/19	Salary (including fees and allowances)	Other Payments	Employers pension contribution	Remuneration including pension contributions 2018/19
Director of Resources and Deputy Chief Executive - M. Maidment	105,530	11,561	21,076	138,167

The employer's contributions made by the SSA, Wandsworth (WBC) and Richmond (RuT) Councils are as follows:

Employer's contributions	WBC	RuT	SSA
- Normal	6,301	3,665	19,075
- Deficit	0	3,789	0
- Augmentation (Strain costs)	1,140	(545)	0
Total	**7,441**	**6,909**	**19,075**

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 with which the Pension Fund has investments. As at 31 March 2019 the Fund had £720m invested through LCIV, compared to £847m invested as at 31 March 2018. More information on the funds invested in can be found in Note 14C Investments Analysed by Fund Manager.

Note 26 Key Management Personnel

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

Officers do not receive additional renumeration 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 25**above.

Note 27 Contingent Liabilities and Contractual Commitments

Contractual Commitments
Outstanding capital commitments (investments) at 31 March 2019 were US $152m (£117m), with none as at 31 March 2018. 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.

In response to freedom and choice introduced by the Finance Act 2015, the Pension Fund has seen a significant increase in enquiries from members about transferring benefits out of the LGPS. Based on historic data, individual transfers out in recent years have averaged £5m.

Contingent Liabilities
Five 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 2018/19 or in 2017/18.

Note 28 Accounting Standards Issued but Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully in the 2019/20 financial statements. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

<u>IFRIC 22 Foreign Currency Transactions and Advance Consideration</u>
IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions when payment is made or received in advance. IAS 21 The Effects of Changes in Foreign Exchange Rates may apply to pension funds. The Fund has not historically made significant payments in advance so no material impact is currently expected.

The following standards are not expected to directly impact the Fund accounts due to the nature of the Fund or its investments:
Amendments to IAS 40 Investment Property: Transfers of Investment Property
Annual Improvements to IFRS Standards 2014 - 2016 Cycle
IFRIC 23 Uncertainty over Income Tax Treatments
Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Wandsworth Council Pension Fund

Actuary's Statement as at 31 March 2019

Introduction

The last full triennial valuation of the Wandsworth Council Pension Fund was carried out as at 31 March 2016 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 31 March 2017.

On 1 October 2016, the London Borough of Richmond Upon Thames Pension Fund and the Wandsworth Council Pension Fund merged under The Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016.

This statement is in respect of the combined Fund.

Asset value and funding level

As at 31 March 2016, a funding valuation was carried out for each of the London Borough of Richmond Upon Thames Pension Fund and the Wandsworth Council Pension Fund.

London Borough of Richmond Upon Thames Pension Fund

The smoothed market value of the Richmond Fund's assets as at 31 March 2016 for valuation purposes was £599m which represented 91% of the Richmond Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment. The corresponding deficit was £57m.

Wandsworth Council Pension Fund

The smoothed market value of the Wandsworth Fund's assets as at 31 March 2016 for valuation purposes was £1,177m which represented 101% of the Wandsworth Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment. The corresponding surplus was £15m.

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 as defined by Regulation 62(5) for each employer for the period 1 April 2017 to 31 March 2020 is set out in the relevant actuarial valuation report. The primary rate is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017. On a whole Fund level, the primary rate as at 31 March 2016 for both the Richmond Fund and the Wandsworth Fund was 18.0% of payroll p.a.

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 as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer. Details of these secondary adjustments can be found in each Fund's 2016 actuarial valuation report.

Assumptions

The assumptions as at 31 March 2016 used for the funding valuations of both the Richmond Fund and the Wandsworth Fund are summarised below:

Assumption	31 March 2016
Discount rate	4.7% p.a.
Pension increases (CPI)	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Post-retirement mortality	For members, the S2PA series with a multiplier of 80% for males and 85% for females, with projected improvements in line with the 2015 CMI model allowing for a long term rate of improvement of 1.5% p.a. For dependants, 95% of the S2PMA tables for male dependants and 100% of the S2DFA tables for female dependants, making allowance for CMI 2015 projected improvements and a long-term rate of improvement of 1.5% p.a.
Retirement	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

Further details of these assumptions can be found in the relevant actuarial valuation report.

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits.

Overall, we estimate that the funding position should have improved when compared on a consistent basis to 31 March 2016 but the final position will depend on the assumptions adopted as part of the 2019 valuation process. The 31 March 2019 actuarial valuation is currently underway and we will be reviewing assumptions and methodologies.

There is currently uncertainty surrounding the benefit structure of the LGPS and the cost cap management process which was meant to bring in any revised benefit changes from 1 April 2019 has been paused. Therefore it is difficult to say with any certainty what the funding position will be as at 31 March 2019. The 2019 valuation process will result in any revised contribution rates required to be paid by the employers from 1 April 2020.

Graeme D Muir FFA
Partner, Barnett Waddingham LLP

Pension Fund Accounts Reporting Requirement

Wandsworth Council Pension Fund - IAS26 Disclosures 31 March 2019

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 2019. 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.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

Reason for revision

This version supersedes version 2 which was dated 28 May 2019. The reason for the revision is that an allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS.

The estimated impact on the total liabilities at 31 March 2019 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2019. Please see the Impact of the McCloud/Sargeant judgement section on page 10 for more information on how the estimated impact has been calculated.

It should be noted that this adjustment is an estimate of the potential impact on the Employer's defined benefit obligation based on our interpretation of the analysis carried out by the Government Actuary's Department (GAD) and the Employer's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Wandsworth Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2018 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;

Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2018 and 31 March 2019; and

Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

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. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2016.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	6,159	127,060	44
Deferred pensioners	9,301	12,769	45
Pensioners	5,432	37,870	72

On 1 October 2016, the London Borough of Richmond Upon Thames Pension Fund merged with the Wandsworth Council Pension Fund under The Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016. The table below summarises the membership data of the London Borough of Richmond Upon Thames Pension Fund as at the most recent 31 March 2016 funding valuation:

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	3,668	77,535	46
Deferred pensioners	5,509	9,190	46
Pensioners	3,626	19,564	72

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2019.

We have been notified of 44 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 £416,900.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 9%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Wandsworth Council Pension Fund as at 31 March 2019 is as follows:

Asset breakdown	31 Mar 2019		31 Mar 2018	
	£000s	%	£000s	%
Equities	1,584,773	66%	1,628,545	72%
Gilts	69,329	3%	102,914	5%
Other bonds	265,126	11%	228,926	10%
Property	119,348	5%	71,607	3%
Cash	29,711	1%	31,870	1%
Multi-asset fund	318,466	13%	201,198	9%
Total	**2,386,753**	**100%**	**2,265,060**	**100%**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2019 is likely to be different from that shown due to estimation techniques.

Unfunded benefits

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

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2019, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found here.

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Impact of the McCloud/Sargeant judgement

In the IAS26 report previously issued as at 31 March 2019 (dated 28 May 2019), no allowance was made for the recent McCloud judgement, which relates to age discrimination within the New Judicial Pension Scheme. As noted in that report, this was due to the uncertainty of how this judgement may affect LGPS members' past or future service benefits.

However, the Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts under IAS19 as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Fund. For example, it may be that the underpin is to be applied to:

a) All members who were active at 31 March 2012 until their retirement. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012).
b) All members who were active at 31 March 2012 for a period of 10 years. As the underpin was applied to members within 10 years of retirement, the judge may rule that the underpin only needs to be applied to members for a maximum of 10 years, resulting in lesser cost than under scenario (a) above.

IAS26 requires us to place a best estimate value on liabilities and costs. Given the current uncertainty about the range of potential remedies, the best estimate is almost impossible to define and would require some judgement.

However, as GAD's scenario applies to all members who were active at 31 March 2019, we believe the figures they have calculated indicate a significantly higher cost than could be reasonably expected as a realistic estimate. In order to provide a more realistic estimate, we have stripped out the estimated cost of the underpin for active members who joined the Scheme after 31 March 2012, and are therefore not implicated by the case. We are therefore assuming scenario a) above.

GAD's analysis compared the cost of the old pre-2014 final salary scheme with the new CARE scheme. The key parameter in assessing this cost is the assumed level of future salary increases in excess of CPI. GAD considered the following two scenarios:

1. Salaries increase at CPI plus 1.5% – on this scenario GAD assessed the average cost of implementing their worst-case scenario to be 3.2% of active liabilities at 31 March 2016 and the impact on service cost (i.e. the cost of benefits accruing) to be 3.0% of active payroll.
2. Salaries increase at CPI plus 0% pa – on this scenario GAD assessed the average cost to be less than 0.1% of active liabilities at 31 March 2016 and the impact on service cost to be less than 0.1% of payroll.

For the purposes of our calculations we have assumed salaries increase at 1.5% above CPI in addition to a promotional scale, allowing for a short-term overlay of CPI from 31 March 2016 to 31 March 2020. This is the same assumption as in our original IAS26 report. The Fund's assumption is therefore in between the two scenarios.

We have used GAD's impact under scenario 1 above as a starting point for our calculations, adjusting for a lower salary increase assumption and to strip out any members who joined post 2012. This impact is then applied to liabilities as at 31 March 2019 (as set out in our previous report).

Demographic/Statistical assumptions

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI_2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure in Appendix 2.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2019	31 Mar 2018
Retiring today			
	Males	23.4	24.5
	Females	24.8	26.1
Retiring in 20 years			
	Males	25.0	26.8
	Females	26.6	28.4

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	% p.a.	% p.a.	% p.a.
Discount rate	2.40%	2.55%	2.70%
Pension increases	2.40%	2.30%	2.70%
Salary increases	3.90%	3.80%	4.20%

These assumptions are set with reference to market conditions at 31 March 2019.

Our estimate of the Fund's past service liability duration is 19 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

The capitalised cost of the additional benefits awarded during the year is calculated at £11,784,000. This figure has been included within the service cost in the statement of profit or loss.

The above past service cost is an estimate of the impact of the McCloud/Sargeant judgement on the basis that all active members in the Fund as at 31 March 2012 are covered by the transitional protections.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 44 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £2,227,000. This figure has been included within the service cost in the statement of profit and loss.

Settlements

Over the year, payments in respect of the following bulk transfers were paid to/from the Fund:

- Environmental services transfer from the Shared Service Arrangement (SSA) in the Wandsworth Fund to the Merton Pension Fund; and

Transfer of staff from Hillcroft College from the Royal Borough of Kingston Upon Thames Pension Fund to the Wandsworth Fund.

As the bulk transfers are now complete, we have reflected the effect of these bulk transfers as a settlement in this year's results. The defined benefit obligation is calculated at the effective date of the transfer. The assets transferred figures reflect the value of assets paid to/from the Fund.

Settlements	Effective date	Liabilities transferred (at effective date) £000s	Payment date	Assets transferred (at payment date) £000s
Kingston Fund (Hillcroft College transfer in)	1 October 2017	2,144	24 October 2018	2,411
Merton Fund (SSA transfer out)	1 November 2017	(13,342)	16 January 2019	(9,019)
Total		**(11,198)**		**(6,608)**

Results and disclosures

We estimate that the net liability as at 31 March 2019 is a liability of £483,146,000.

The results of our calculations for the year ended 31 March 2019 are set out in the appendices below:

Appendix 1 sets out the Statement of financial position as at 31 March 2019;

Appendix 2 details a reconciliation of assets and liabilities during the year; and

Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

Graeme Muir FFA
Partner

Appendix 1 Statement of financial position as at 31 March 2019

Net pension asset as at	31 Mar 2019 £000s	31 Mar 2018 £000s	31 Mar 2017 £000s
Present value of the defined benefit obligation	2,869,899	2,817,296	2,856,531
Fair value of Fund assets (bid value)	2,386,753	2,265,060	2,153,813
Net liability in balance sheet	**483,146**	**552,236**	**702,718**

*Present value of funded obligation consists of £2,792,823,000 in respect of vested obligation and £77,076,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2019

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2019 £000s	Year to 31 Mar 2018 £000s
Opening defined benefit obligation	**2,817,296**	**2,856,531**
Current service cost	82,033	78,012
Interest cost	70,646	76,327
Change in financial assumptions	128,498	(132,840)
Change in demographic assumptions	(166,426)	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	(11,198)	-
Estimated benefits paid net of transfers in	(79,401)	(77,272)
Past service costs, including curtailments	14,011	3,810
Contributions by Scheme participants and other employers	14,440	12,728
Unfunded pension payments	-	-
Closing defined benefit obligation	**2,869,899**	**2,817,296**

We have allowed for the estimated impact of the recent McCloud judgement as a past service cost. The impact on total liabilities as at 31 March 2019 was assessed to be 0.4%.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2019 £000s	Year to 31 Mar 2018 £000s
Opening fair value of Fund assets	**2,265,060**	**2,153,813**
Interest on assets	57,493	57,901
Return on assets less interest	91,660	73,105
Other actuarial gains/(losses)	-	-
Administration expenses	(1,394)	(993)
Contributions by employer including unfunded	45,503	45,778
Contributions by Scheme participants and other employers	14,440	12,728
Estimated benefits paid plus unfunded net of transfers in	(79,401)	(77,272)
Settlement prices received / (paid)	(6,608)	-
Closing Fair value of Fund assets	**2,386,753**	**2,265,060**

The total return on the Fund's assets for the year to 31 March 2019 is £149,153,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	2,869,899	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	2,818,454	2,922,334
Long term salary increase	2,874,058	2,865,765
Pension increases and deferred revaluation	2,918,123	2,822,538
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	2,978,839	2,765,068

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 new 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.

1. 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 require 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.
2. 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:
    a. Establish a clear and transparent Fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
    b. Support the desirability of maintaining as nearly constant a primary contribution rate as possible;
    c. 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
    d. Take a prudent longer-term view of funding those liabilities.
3. 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.

4. 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

5. 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.

6. The aims of the Fund are therefore, with a prudent long-term view, to:
   a. ensure that sufficient resources are available to meet all liabilities as they fall due;
   b. maximise the returns from investments within reasonable risk limits;
   c. 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
   d. enable and assist participating employers to manage their liabilities effectively.

7. 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.

8. The funding objectives are to:
   a. ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
   b. ensure the solvency of the Fund;
   c. set levels of employer contribution to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions; and
   d. 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.

Responsibilities of Key Parties

9. Wandsworth Council as the Fund's administering authority should:

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

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

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

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

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

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

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

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

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

    a. deduct contributions from employees' pay correctly;

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

    c. exercise discretions within the regulatory framework;

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

    e. notify the administering authority promptly of all changes to membership or, as may be proposed, which could affect future funding; and

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

11. Active Scheme members are required to make contributions into the Fund as set by the Department of Communities and Local Government (DCLG).

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

    a. the Fund's existing and prospective liabilities;

    b. circumstances peculiar to a particular employer or pool of employers;

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

    d. this Funding Strategy Statement.

    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

13. The investment objectives of the Fund according to the current SIP, 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.

14. 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 typically ranging from one to five years. The overall framework for asset allocation is decided by the Council and reviewed periodically.

15. 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.

16. This investment policy, generally resulting in a heavy equity weighting, allows the actuary to include an asset out-performance assumption (AOA) (above the yield on bonds) within the average investment return assumed 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.

17. The Fund's heavy equity weighting means accepting 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". Ways to mitigate this risk 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

18. 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.

19. The most recent actuarial valuation of the Fund was carried out as at 31 March 2016. A summary of the methods and assumptions adopted is set out in the sections below.

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

21. 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.

Assumptions, Risks and Counter-Measures

22. 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.

23. 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.

Investment Performance/Discount Rate

24. 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.

25. 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 the adoption of an AOA with a significant allowance for prudence in order to counter these risks. The allowance will be higher when investment market values are considered to be high.

26. The discount rate adopted for the 31 March 2016 valuation was 4.7% p.a.

Pay and Price Inflation

27. 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.

28. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

29. 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 calculated from the difference between the yields on conventional and index-linked government bonds. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods and so as at 31 March 2016, a deduction of 0.9% p.a. was made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

Longevity

30. Life expectancy is a key determinant in the valuation of prospective liabilities. 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 and that recent improvements in life expectancy have been at a faster rate than seen in the past. However, experience does vary across the country and from Fund to Fund.

31. For the 31 March 2016 valuation, longevity is assumed to increase in line with the Actuarial Profession's Continuous Mortality Investigation ("CMI") 2015 projected improvements with a long term rate of 1.5% p.a..

Early Retirement Costs

32. 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.

Regulatory Risks

33. Actuarial valuations do not anticipate potential changes to the local government pension scheme or to national pension requirements. But the potential for associated additional or reduced liabilities emerging at subsequent valuations is one of the factors to be considered when deciding the prudent AOA and the appropriate deficit/surplus recovery period.

34. 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.

Governance

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

Employer Contribution Rates

Funding Level

36. The funding level determined in the actuarial valuation is the result of comparing the assets held in the Fund 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.

37. 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

38. The 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.

39. 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.

40. 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.

41. 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 the

actuarial life of the Fund with consideration of both prudence and the desirability of maintaining as nearly constant employer contribution rates as possible.

Stepped Contribution Changes

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

Pooling or Individual Adjustment

43. Generally, the Councils expect to have a common contribution rate for all employers, other than admission bodies and academies. However, there are risks that any deficit is not repaid at any point at which the employer ceases to exist, in which case the liability would fall on the Councils and be reflected in council tax. In respect of new employers, the maximum deficit recovery periods for each employer is restricted according to the period over which the Pension Fund can be assured that an adequate funding stream in respect of that employer would be available. Consequential decisions on pooling of employers together to share liabilities and funding terms are then made to reflect any commonality between employers. The Councils reserve the right, however, to require additional contributions when employers take decisions that incur substantially disproportionate liabilities for the Fund.

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
V5	Reflecting the 2016 Valuation and the transfer of assets and liabilities from the Richmond Council Pension Fund	April 2017
V6	Reflecting changes proposed by the Fund's Actuary	November 2017

SECTION 8 – INVESTMENT STRATEGY STATEMENT

May 2017

Introduction and background

1. 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").

2. 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.

3. The ISS, which was originally approved by the Committee on 7th March 2017 and in this form, with a revised target asset allocation, on 23rd May 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.

4. 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 26th January 2017).

The suitability of particular investments and types of investments

5. 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.

6. 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.

7. 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.

8. 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:

9. 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 advise 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).

10. 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.

11. 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).

12. 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

13. 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.

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

15. 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.

16. Rebalancing decisions would also take account of any liquidity effects.

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

18. 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 it's 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
    - 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

19. 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.

20. 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.

21. 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 %
UK equities	24	20-30
Overseas equities	36	30-40
Property/Infrastructure	12	5-20
Illiquid credit (MAC/Private Debt)	12	6-18
Diversified Growth	0	0 - 5
Index Linked Gilts	5	2 - 8
Corporate bonds	10	5-15
Cash	1	0.5 - 2
Total	100	n/a

22. The above allocation was produced by combining the allocations for the Richmond and Wandsworth Pension Fund's which merged on 31st October 2016 following the commencement of the Shared Staffing Arrangement between the two Local Authorities. 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 2016 Triennial Valuation 98%. The Fund will seek relevant advice following each triennial valuation to ensure that the allocation meets its funding and cash flow requirements.

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

Restrictions on investment

24. 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 fund manager (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

25. 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.

26. 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 58-61.

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

27. 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.

28. 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

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

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

31. Systemic risk - 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.

32. 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 2016 analysis highlighted these pots were funded at the following levels: Richmond (90%); SSA (100%); and Wandsworth (102%). This analysis will be revisited as part of the 2019 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.

33. 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.

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

Asset risks

35. 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.

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

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

38. Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

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

40. The Committee measure and manage asset risks as follows.

41. 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.

42. 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. Details of the Fund's approach to managing ESG risks is set out later in this document.

43. 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

44. 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.

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

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

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

Cash flow Risk

48. 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.

49. 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.

50. 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

51. The Fund is a participating scheme in the London CIV. The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to Government.

Assets to be invested in the CIV

52. The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. 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:

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

54. 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.

55. 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 31/12/16	Benchmark and performa objective
Global Equity	Allianz	9.7	MSCI World Unhedged (Total Ret + 2%
Global Equity	Baillie Gifford	9.4	MSCI World All Countries Unhedg (Gross Dividend Re-invested) + 2
Diversified Growth Fund	Baillie Gifford	4.2	Base Rate +3.5% PA

56. 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

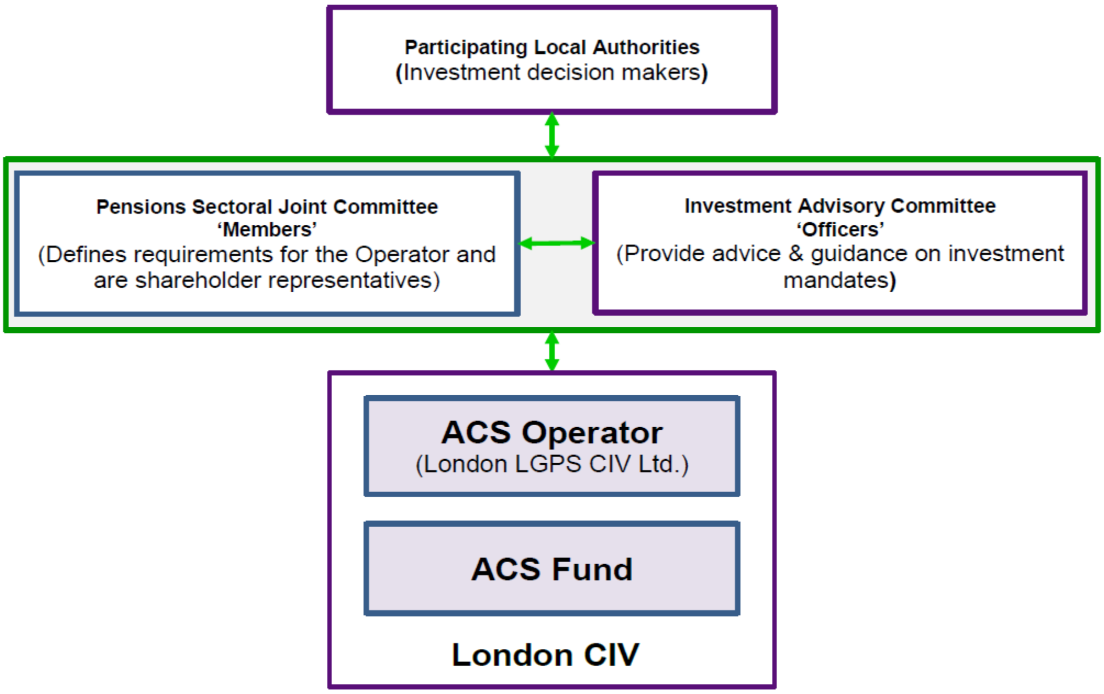
Asset class	Manager	% of Fund assets as 31/12/16	Benchmark and performance objecti	Reason for not investing via the XY Pool
Passive / Enhanced Index – Multi Asset	UBS, Legal and Gene and Henderson.	35.7	FTSE / iBoxx indices (various) [+0.55% Enhanced Index]	Not value for money t transfer/no equivalent mandate on CIV
Global Equity	Longview	12.7	MSCI World Unhedged (To Return) + 2%	Currently in discussio to join CIV
Fixed Income	Rogge, Henderson	11.9	Rogge: IBOXX All Stocks Corporate Bonds, FTSE Actuaries Govt Securities I – Linked > 5 years + 1.5%; HGI: FTA British Governm 16% iBoxx Sterling Non Gi Index + 0.55%	No fixed Income mandate currently on CIV platform
UK Equity	River & Mercantile	8.2	FTSE All-Share Index (Tot Return) + 2%	Currently evaluating U equity options
Multi-asset Credit	Oak Hill, CQS	5.0	LIBOR + 4%	No MAC mandate currently on CIV platf
Property	Legal & General, Henderson, CCLA, ar Schroder	3.2	AREF / IPD All Balanced Property Fund Index Weigh Average + 1%	Not value for money t transfer/no equivalent mandate on CIV

57. 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

58. The July 2016 submission to Government of the London CIV provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS.

59. The governance structure of the CIV is detailed below:



60. All participants of the CIV are both shareholders and investors in the London CIV company and the governance structure enables both formal ad informal scrutiny. The Pension Sectoral Joint Committee provides scrutiny and oversight of the CIV with each authority represented on the Committee with voting rights (1 share per authority).

61. 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

62. 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.

63. It is recognised that ESG factors 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.

64. 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.

65. 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.

66. 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.

67. 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.

68. 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.

69. 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

70. 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.

71. 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.

72. 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

73. 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

1. The Wandsworth Pension Fund (the Fund) is required by regulation 61 of the Local Government Pension Scheme 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

a) members;
b) representatives of members;
c) prospective members; and
d) Scheme employers.

(2) In particular the statement must set out its policy on -

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

(3) 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)."

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; and
Scheme employers;
Elected Members of the Joint Pensions Committee; and
Local Pension Board.

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 Statement together with other responsible senior officers of Richmond and Wandsworth Councils.

3. Methods of Communication – Scheme Members and Prospective Members

(a) Scheme Literature
A link to a Scheme guide is provided to all employees on commencing Scheme membership. Changes in the Scheme regulations are notified to all affected members via newsletters. The Scheme guide is regularly updated to take account of any Scheme changes. The link to the Scheme guide is available on the PSS website, from the member's HR service or employer and direct from the PSS.

(b) Website/Information Technology
The PSS website (www.pensionssharedservice.org.uk) contains details of the Scheme together with newsletters, information guides and forms. The PSS can be contacted by email at pensions@richmondandwandsworth.gov.uk. Scheme information is also available online via the Local Government Employers' Organisation's national website at www.lgpsregs.org/ and www.lgpsmember.org/ Access to the Scheme regulations is available at the PSS office or online using the website at www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php Newsletters for current members are available on the PSS website with hard copies available on request.

(c) Member Support
Scheme members can contact the PSS by direct dial telephone numbers between 9:00am and 5.00pm Monday to Friday. The PSS operates an "open-door" policy where members may visit the office between 9.00am and 5.00pm Monday to Friday without a pre-arranged appointment.

The PSS also offers pre-arranged appointments between 7.30am and 6.30pm 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.

(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
Active and deferred members are sent annual benefit statements.

(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 Local Pension Board 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. Training for responsible officers (e.g. School Administrative Officers or Bursars/Finance Officers) can be provided. The full range of Scheme information is provided.

Communicating with Elected Members

Scheme information and data is provided to Elected Members of the Joint Pensions Committee, 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.

Communicating with the Local Pension Board

Scheme information and data is provided to members of the Local Pension Board, 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, Pension Board 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.

Review of the Communications Policy Statement

This Communications Policy will be reviewed on an annual basis 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. June 2019

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 2018/19 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 May 2019 and the Joint Pensions Committee on 4 June 2019. 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 2016				
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	Wandsworth Pensioners recorded with DWP as Deceased	67	8	0
Report 52	Richmond Pensioners recorded with DWP as Deceased	48	5	0
	Totals	115	13	0

Comments

Report 52	102 of these cases had already been notified to the Pensions Shared Service by next of kin or the deceased's Bank - the remaining 13 cases were immediately suspended until contact from the next of kin.
Report 53	No report received
Report 54, 55 & 56	These are no longer relevant as Wandsworth Pension Fund’s policy regarding abatement of pensions was amended and pensions are no longer abated following reemployment. Richmond Pension Fund’s policy is not to abate on reemployment.

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	Wandsworth Pensioners recorded with DWP as Deceased	85	3	0
Report 52	Richmond Pensioners recorded with DWP as Deceased	52	3	0
	Totals	137	6	0

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 53	No report received
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.

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