WANDSWORTH BOROUGH COUNCIL PENSION FUND

PENSION FUND ANNUAL REPORT 2019/20

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 2020.

On the investment side of the Fund the year 2019/20 was dominated by the final quarter, during which the impact of the COVID-19 pandemic was reflected across global markets. In relative terms, the Fund's above-average allocation to UK equities, its exposures to Multi-Asset Credit and Diversified Growth (both of which marked-down heavily in period leading up to 31 March) and in addition its passive currency hedge were all "negatives" which resulted in a -8.4% annual return that was 3.6% below the weighted average for the LGPS peer group (as measured by Pensions & Investment Research Consultants Ltd). In both absolute and relative terms, many of the Fund's assets have recovered materially during the first quarter of 2020/21, however it is clear the possibility of further volatility remains. The combined Fund's longer-term returns are 4.4%, 7.2%, 5.5% over 5, 10, and 20 years respectively. Over the longest period measured, 30 years, the combined Fund's annualised return is 8.2%, which remains in the top quartile of funds. The Joint Pensions Committee is due to carry out a review of the Fund's strategy and approach during the course of 2020/21.

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

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

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

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

Mark Maidment
Director of Resources

Councillor Guy Senior
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 2020.

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 Melanie Hampton – Member (until September 2019)
Councillor Ian Hart – Member (from September 2019)
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	Managed Enhanced Bonds
UBS	Passive Multi Asset
CQS (London LGPS CIV)	Multi Asset Credit
Oakhill	Multi Asset Credit
Rreef*	Managed Property Unit Trust
CCLA/LAMIT	Property
Schroders	Property
Janus Henderson	Multi Asset and Property**
L&G	Passive Multi Asset and Property
Russell	Currency (Passive Overlay)
JP Morgan	Infrastructure
Pantheon	Infrastructure
Brightwood	Private Debt
Churchill	Private Debt
Permira	Private Debt

* accessed via Aberdeen Asset Management
** property managed by Nuveen (formerly TH Real Estate, accessed via Janus Henderson)

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, Utmost (former Equitable Life policies – closed to new contributors)

Fund Actuary
Barnett Waddingham

Legal Advisors
South London Legal Partnership

Bankers
National Westminster Bank Plc

Auditor
Ernst & Young LLP

Wandsworth Council

Responsible Financial Officer	Mark Maidment
Assistant Director of Resources (Financial Services)	Paul Guilliotti
Scheme Administration - Head of Pensions Shared Service	Martin Doyle
Scheme Investments and Accounting:-	
Head of Pension Fund & Insurance Accounting	Coral Baxter
Pension Fund 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 20-125 approved by the Audit Committee on 16 March 2020. 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 2019/20 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	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Variance from Forecast	
	£'000	£'000	£'000	%	£'000
Contributions receivable					
- Members	14,440	14,800	15,607	5%	807
- Employers	45,502	46,700	49,269	6%	2,569
- Transfers in	10,357	3,800	8,632	127%	4,832
TOTAL INCOME	70,299	65,300	73,508	13%	8,208
Benefits/Expenses					
- Pensions	-63,784	-67,900	-67,042	-1%	858
- Retirement lump sums	-11,437	-11,000	-11,429	4%	-429
- Death lump sums	-2,115	-1,300	-1,154	-11%	146
- Transfers out	-19,034	-5,300	-18,793	255%	-13,493
TOTAL EXPENDITURE	-96,370	-85,500	-98,418	15%	-12,918
Net withdrawal / addition from Dealings with Members per Accounts	-26,071	-20,200	-24,910	23%	-4,710

The table shows that in 2019/20 (as in 2018/19) 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 2019/20 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.

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. 20-155 on 2 June 2020.

Pension Fund Budget	2020-21	2021-22	2022-23
	£'000	£'000	£'000
Contributions Receivable			
Members	15,700	16,000	16,300
Employers Normal	46,900	47,900	48,800
Employers Additional	1,400	1,400	1,400
Transfers In	8,100	8,200	8,200
Benefits Payable			
Pensions	-69,300	-70,500	-71,700
Retirement Benefit Lump Sums	-13,200	-13,400	-13,600
Death Benefits	-800	-800	-800
Transfers Out	-9,100	-9,200	-9,300
Establishment	-900	-900	-900
Net (Withdrawals) from Dealing with Members	**-21,200**	**-21,300**	**-21,600**
Returns on Investments			
Investment Income	41,800	48,900	51,300
Investment Management Expenses	-9,300	-9,700	-10,200
Custody	-35	-35	-35
Consultancy / Other	-150	-150	-150
Total	**11,115**	**17,715**	**19,315**

Contribution Amounts due to the Fund from Employers and Employees

The following table provides details of the total amounts due for the period April 2019 to March 2020 for employers, basic and additional members' contributions.

Employer	Establishment	Pensionable Pay £000's	Contributions Received Employee's £000's	Employer's £000's	Total £000's
Wandsworth Council					
(In-House Payroll)	Wandsworth Council	32897	2262	6448	8710
	SSA	104843	8166	20569	28735
(Schools with External Payroll Providers)	Albemarle School	548	33	99	132
	Honeywell Infant School	475	27	84	111
	Honeywell Junior School	385	22	68	90
Scheduled Bodies					
	Alton Academy	489	33	100	133
Academy 01/09/2018	Ark John Archer	303	17	57	74
	Ashcroft Technology College	1525	97	290	387
	Belleville School	956	59	181	240
	Bolingbroke ARK	699	44	134	178
	Burntwood Academy	1315	86	250	336
	Chesterton Academy	500	32	98	130
	Chestnut Grove	1127	71	214	285
	Floreat Academy	225	15	46	61
Academy 01/09/2018	Franciscan School	443	26	84	110
	Graveney School	2144	143	402	545
Academy 01/01/2019	Goldfinch School	347	20	66	86
	Griffin School	153	9	36	45
	Harris Academy Battersea	594	40	121	161
Academy 01/09/2018	Linden Lodge	2722	166	515	681
	Mosaic SLJPS	273	16	52	68
	Nightingale School	476	32	90	122
	Oasis Putney	195	11	37	48
	Putney ARK	900	57	172	229
	Southfields Academy	1619	104	310	414
	St Cecilia's C of E School	752	49	143	192
	Tooting Primary School	358	21	68	89
	Westbridge Primary School	202	12	41	53
	Belleville Wix Academy	318	19	60	79
New Contract 01/08/2019	Wandle Learning Trust	167	11	23	34

Admitted Bodies					
	CCTV - NSL Ltd	50	3	9	12
	CT Plus	683	39	130	169
Ceased 31/03/2020	Enable	1895	125	322	447
	Greenwich Leisure Ltd	1248	82	252	334
	One Trust	1165	75	249	324
Total Wandsworth		**162991**	**12024**	**31820**	**43844**

			Contributions Received		
	Establishment	Pensionable Pay	Employee's	Employer's	Total
Employer		£000's	£000's	£000's	£000's
Richmond Council[1]					
(In-House Payroll)	Richmond Council	11827	854	6093	6947
(Schools with External Payroll Providers)	Barnes School	654	40	160	200
	Christs School	817	52	199	251
	Collis School	832	48	203	251
	Hampton Wick School	439	24	107	131
	Kew Riverside School	210	12	51	63
	Orleans Infants	515	30	126	156
	Queens School	374	21	91	112
	St Edmunds School	404	23	98	121
	St James School	503	29	123	152
	St John the Baptist School	315	19	77	96
	St Marys & St Peters School	634	37	155	192
	Stanley School	883	51	216	267
	Vineyard School	587	37	157	194
Scheduled Bodies					
	Achieving for Children	13167	1109	2596	3705
New Free School 01/09/2019	Capella House (Auriga)	66	4	14	18
	Clarendon (Auriga)	736	46	170	216
	Greycourt	1306	84	233	317
	Hampton High	599	39	121	160
	Nelson Academy	464	27	96	123
	Orleans Park	951	58	225	283
	Richmond Upon Thames College	2651	170	832	1002
	Richmond Upon Thames School	263	16	47	63
	Richmond Park Academy	579	36	116	152
	Strathmore (Auriga)	1023	60	213	273
	St Marys Hampton School	152	11	20	31
	Teddington School	618	39	131	170

	Thomson House School	339	19	48	67
	Turing House School	400	26	93	119
	Twickenham Primary (Academy)	159	8	38	46
	Twickenham School	711	45	143	188
	Waldegrave	1030	70	231	301
Admitted Bodies					
	Hampton School	533	41	129	170
	RAHCC (Prev. RACC)	1529	97	401	498
	Institute of Revenues, Rating and Valuation	394	30	140	170
	Lifeways	172	11	30	41
Ceased 17/05/2019	Mears	3	0[1]	1	1
Ceased 31/07/2019	Medacs Group	10	1	2	3
	Notting Hill Genesis	18	1	38	39
Ceased	Richmond Housing Partnership	0	0	69	69
	Richmond Music Trust	127	9	33	42
	South West Middlesex Crematorium Board	317	23	84	107
	St Mary's University	2126	149	692	841
	Support for Living	439	29	77	106
	Veolia	580	42	130	172
New Employer 2017	YMCA	66	5	15	20
Total Richmond		**50522**	**3582**	**15064**	**18646**
Final Total		**213513**	**15606**	**46884**	**62490**

[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 2019/20 year one employer submitted contributions late twice and one employer submitted contributions late once. These instances have been recorded on the Breaches Register and monitored for further occurrences. The total contributions were not significant and it would not have been economic for the Service to have pursued interest on these amounts.

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

Management of Admitted Bodies and Funding arrangements

There 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	48	0	48
Admitted body	16	34	50
Total	64	34	98

Pension Overpayments and National Fraud Initiative Results

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

Year	**2017/18**	**2018/19**	**2019/20**
Invoices raised	£47,641	£43,456	£45,506
Written-off	£2,783	£2,845	£2,536

Details of the last two National Fraud Initiatives (2016 and 2018) 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
2018/19	447	117	65	21	650
2019/20	552	112	64	21	749

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 2019/20 including those costs which are not chargeable to the Pensions Fund are shown below.

2019/20	Original Budget £'s	Revised Budget £'s	Actual £'s	Variance £'s
Staffing Costs	1,290,700	1,290,700	1,497,404	206,704
Central and Technical Support	375,700	375,700	405,803	30,103
Other Supplies and Services	202,800	202,800	877,019	674,219
Costs recovered from Shared Service partners	-936,300	-936,300	-1,732,581	-796,281
Other external income	-110,000	-110,000	-18,348	91,652
Net expenditure	882,900	882,900	1,029,297	206,397
Charge to Council - Employer Duties	363,600	363,600	477,087	113,487
Charge to Pension Fund	459,300	459,300	552,211	92,911

The expenditure includes the costs associated with the Council performing its functions as an employer for the purposes of the Local Government Pension Scheme Regulations. Work carried out as an employer as well as that for Teachers' Pensions, cannot be charged to the Pension Fund. The expenditure shown above also includes the budget for the Camden, Merton, Richmond, Waltham Forest and Wandsworth Pensions Shared Service. Staffing costs were higher than budget due to the taking on temporary staff to cover increased work as a result of Automatic Enrolment and the complexities of administering the schemes. Additional staffing costs were incurred for a Pensions Adviser post to cover implementation of several projects 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 2019/20 is given in the table below.

2019/20 Expenditure	Description	Totals £'s
Staffing	Salaries	1,158,605
	National Insurance	121,142
	Employer Pension	203,848
	Redundancy costs	10,396
	Training/Advertising	3,413
Central & Technical Support	Central Services Recharge	188,707
	Payroll	217,096
Other Supplies & Services	Printing/Stationery	39,744
	Postage	33,722
	IT & Telecoms	656,542
	Legal & Contracts	71,344
	General (fares/equipment)	75,668
	Total Expenditure	**2,780,227**

Management Expenses

The Pension Fund paid £8.379 million in management expenses in 2019/20. This was an increase of £0.656 million (7%) compared with the amount for the fund in 2018/19.

Type of Fee	2018/19 Actual £000's	2019/20 Budget £000's	2019/20 Actual £000's	2019/20 Variance compared to budget %	£000's
Investment Management Expenses					
River and Mercantile	287	310	295	5	15
Allianz (LGPS CIV) [Ended April 2018]	36	-	-	-	-
Longview (LGPS CIV)	1,622	1,850	1,738	6	112
Baillie Gifford (LGPS CIV)	937	1,180	1,024	13	156
Allianz (ex-Rogge)	240	260	263	-1	-3
UBSGAM Passive	44	50	43	14	7
CQS (LGPS CIV & Direct)	754	870	790	9	80
Oakhill	1,127	740	780	-5	-40
Baillie Gifford DGF (LGPS CIV)	413	420	341	19	79
CCLA	28	30	28	7	2
Janus Henderson	591	400	504	-26	-104
L&G	155	215	161	25	54
Schroders	301	310	315	-2	-5
Russell	78	100	103	-3	-3
JP Morgan	-	600	307	49	293
Pantheon	-	450	463	-3	-13
Brightwood	-	80	57	29	23
Churchill	-	180	115	36	65
Permira	-	80	35	56	45
Other*	146	175	125	29	50
*Inc LCIV Fixed Fees and Private Assets 18/19	**6,759**	**8,300**	**7,487**	**10**	**813**
Custody / Transaction Costs					
Northern Trust	54	35	50	-43	-15
Transaction Costs	682	700	842	-20	-142
	736	**735**	**892**	**-19**	**-157**
Total Investment Management Costs	**7,495**	**9,035**	**8,379**	**7**	**656**
Oversight & Governance Costs	**325**	**150**	**177**	**18**	**-27**
Administration Costs	**1,068**	**900**	**946**	**-5**	**-46**
Grand Total**	**8,888**	**10,085**	**9,502**	**6**	**583**

**The figures above vary from those reported in the Fund's Accounts Note 11 by a total of £164k of Management Fees. This difference is due to differences between the estimated yearend figures and final bills. The 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	2019/20 Actual £000's
Analysis of Investment Management Expenses		
Pooled (Management Fees)	3,241	3,358
Non-Pooled	3,428	4,039
Fixed Pooled Costs	90	90
	6,759	**7,487**

Pooling Set-Up Costs*

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Share Capital	0	300	0	0	0	0
Annual Charges	100	50	50	100	90	90
Transition Costs**	0	0	0	0	0	0
Total Set-Up Costs	100	350	50	100	90	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

	2018/19	2019/20
Pension Fund Costs	£837,376	£946,351
Investment Management Costs	£7,495,000	£8,379,000
Total	£8,332,376	£9,325,351
Membership	37,860	39,827
Cost per member inc. Investment Cost	£220.08	£234.15
Cost per member exc. Investment Cost	£22.12	£23.76

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	2018/19 Achieved	2019/20 Achieved	Target
New Scheme Member	99.68%	99.69%	95.00%
Transfers In	93.51%	96.46%	95.00%
Early Leavers	97.56%	100.00%	95.00%
Transfers Out	89.94%	94.80%	95.00%
Refunds	100.00%	100.00%	95.00%
Pension Sharing on Divorce	100.00%	93.02%	98.00%
Correspondence	96.90%	96.72%	98.00%
Retirements	95.40%	98.82%	98.00%
Deceased member	89.86%	96.67%	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.

	15/16	16/17	17/18	18/19	19/20
Very Satisfied	67%	62%	67%	72%	67%
Satisfied	22%	22%	21%	21%	27%
Satisfied after further enquiry	11%	12%	8%	7%	2%
Not satisfied	0%	4%	4%	0%	4%

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	15/16	16/17	17/18	18/19	19/20
System Error	0	0	0	1	0
Staff Error	1	12	3	2	1
Staff Attitude	0	0	1	0	0
Beyond Service Delivery Standards	5	0	1	5	1
Policy/Service Delivery changes	0	1	1	0	0
Not the Lead Authority	0	0	0	0	0
Total	**6**	**13**	**6**	**8**	**2**
Total as % of Workload	**0.17%**	**0.24%**	**0.12%**	**0.10%**	**0.03%**

Membership Numbers and Trends

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

% Diff from previous year Membership	17/18	18/19	% Diff 17/18 vs 18/19	19/20	% Diff 18/19vs 19/20
No' of Contributors	9,760	10,478	7.35%	11,209	6.98%
No' of Pensioners	8,423	8,664	2.86%	9,044	4.39%
No' of Dependants	1,349	1,361	0.89%	1,370	0.66%
No' of Deferred*	16,724	17,357	3.79%	18,204	4.88%
Total Membership	**36,256**	**37,860**	**4.43%**	**39,827**	**5.20%**

* 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	18/19	19/20
Ill Health Retirement (Total)	15	15
Tier 1	7	11
Tier 2	0	0
Tier 3	0	1
From Deferred	8	3
Redundancy	50	44
Flexible	9	7
Voluntary at Normal Pension Age (NPA)	235	351
Voluntary before NPA	133	149
Late	48	58
Total	**490**	**624**

- 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 2020 is shown in the table and graph below.

Type of Member/Number within Age Band				
Age Band	**Actives**	**Deferred**	**Pensioners**	**Dependants**
0-5				1
05-10				4
10-15				16
15-20	132	52		24
20-25	527	397		24
25-30	923	1306		2
30-35	1018	1967		1
35-40	1180	2173		2
40-45	1298	2143	2	5
45-50	1463	2470	6	14
50-55	1785	3036	25	25
55-60	1573	2935	268	43
60-65	956	1202	1518	78
65-70	285	320	2122	109
70-75	69	129	2069	184
75-80		37	1329	179
80-85		15	922	247
85-90		14	514	218
90-95		4	204	136
95-100		3	56	54
100-105		1	8	2
105-110			1	2

*These cases represent scheme members who are entitled to claim scheme benefits but have not done so and so may no longer be alive.

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).

In the year ending 2019/20 the Fund engaged the firm Sustainanalytics to carry out a study of the carbon intensity of its holdings as part of an ongoing review of its approach to ESG.

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 2019/20 no new fund managers were appointed although allocations to existing managers were altered as the funding of the new private asset mandates in Infrastructure and Private Debt (appointed in 2018/19) continued and the Fund moved further towards its overall strategic target allocation. The principal changes were as follows.

- The allocation to the open-ended Infrastructure mandate with JP Morgan was fully funded on 1 October 2019 with its committed allocation of $123m.
- The Permira Private Debt mandate commenced funding via capital calls and the remaining private asset mandates continued funding of the same basis (as at 31 March 2020 these mandates were funded at levels between 15% and 65%).
- The holding in the LCIV Diversified Growth Fund (managed by Baillie Gifford) was instructed to be redeemed in full, in March (although the second tranche of the redemption was carried forward to April 2020).
- Elements of the Janus Henderson and LGIM multi-asset mandates that did not form part of the Fund's strategic target allocation were redeemed (in the case of Janus Henderson leaving only UK corporate bonds as a continuing holding).

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 (which has extended in 2019/20).

Asset Allocation

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

In May 2017, following a review of long-term investment strategy carried out in conjunction with the fund's investment advisors, Mercer, the Committee adopted a revised asset allocation and ISS. A further review of the Fund's strategic asset allocation, following the completion of the 2019 triennial actuarial valuation, is due to take place in 2020/21. The ISS was revised in March 2020 but this did not alter the Fund's strategic asset allocation target.

The table below shows the fund's notional asset allocation target (as per the ISS) at 31 March 2020, 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 2020	Actual Asset Allocation	Actual Asset Allocation	Target Asset Allocation	Tolerance Ranges
	£'000	%	%	%
UK Equities	481,483	22.3	24.0	20.0 – 30.0
Overseas Equities	780,506	36.1	36.0	30.0 – 40.0
Corporate Bonds	241,145	11.1	10.0	5.0 – 15.0
Index Linked Bonds	57,846	2.7	5.0	2.0 – 8.0
Illiquid Credit	261,582	12.1	12.0	6.0 – 18 .0
Real Assets	221,844	10.3	12.0	5.0 – 20.0
Alternatives (DGF)	33,658	1.5	0.0	N/A
Cash / Other	84,396	3.9	1.0	0.5 – 2.0
Total	**2,162,460**	**100.0**	**100.0**	

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

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.

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 2020 (Annualised)	1 Year %	3 Years %	5 Years %	10 Years %	20 Years %	30 Years %
Local Authority Average	-4.8	1.9	5.2	6.9	5.5	7.9
Local Authority Median	-4.1	1.7	4.8	6.8	5.1	7.7
LB Wandsworth*	-8.4	0.7	4.4	7.2	5.5	8.2
Ranking	**98**	**87**	**65**	**31**	**32**	**14**

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 quartile of the 61 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 2020

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	-14.6	-18.4	+3.8	+2.0
UBS	UK Equity & IL Passive	-17.2	-17.2	0.0	-
Baillie Gifford (CIV)	Global Equity	-1.3	-6.2	+4.9	+2.0
Longview	Global Equity	-12.7	-5.3	-7.4	+2.0
Janus Henderson	UK Corporate Bonds	+4.5	+3.9	+0.6	+0.6
L&G	Multi-Asset Passive	-7.9	-7.9	0.0	-
Allianz [Ex-Rogge]	Multi-Asset Bonds	+1.2	+0.5	+0.7	+1.5
CQS (CIV & Direct)	Multi-Asset Credit	-13.9	+4.8	-18.7	-
Oak Hill	Multi-Asset Credit	-10.3	+4.8	-15.1	-
Baillie Gifford (CIV)	Diversified Growth	-9.8	+4.2	-14.0	-
CCLA / LAMIT	Property	+0.7	0.0	+0.7	+1.0
Nuveen (via JH)	Property	-0.6	0.0	-0.6	+1.0
L&G	Property	+0.3	0.0	+0.3	+1.0
Schroders	Property	-0.6	0.0	-0.6	+1.0

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

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

3 Years ending 31st March 2020

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	-2.7	-4.2	+1.5	+2.0
UBS	UK Equity & IL Passive	-3.8	-3.8	0.0	-
Baillie Gifford (CIV)	Global Equity	+6.6	+2.3	+4.3	+2.0
Longview	Global Equity	+1.1	+2.8	-1.7	+2.0
Janus Henderson	UK Corporate Bonds	+4.1	+4.3	-0.2	+0.6
L&G	Multi-Asset Passive	+1.5	+1.4	+0.1	-
Rogge / Allianz	Multi-Asset Bonds	+2.4	+2.1	+0.3	+1.5
CQS (CIV & Direct)	Multi-Asset Credit	-2.8	+4.6	-7.4	-
Oak Hill	Multi-Asset Credit	-2.3	+4.6	-6.9	-
Baillie Gifford (CIV)	Diversified Growth	-1.8	+4.1	-5.9	-
CCLA / LAMIT	Property	+5.4	+4.8	+0.6	+1.0
Nuveen (via JH)	Property	+6.4	+4.8	+1.6	+1.0
L&G	Property	+3.8	+4.8	-1.0	+1.0
Schroders	Property	+5.1	+4.8	-0.3	+1.0

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

Of the 14 mandates (or sub-mandates) separately reported that have been operating for 3 years or more six outperformed the benchmark index of which three also exceeded any additional performance target. Five mandates 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
Janus Henderson	Active	iBoxx Sterling Non- Gilt Index	+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); 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

The above reflect adjustments within the Janus Henderson and L&G Multi-Asset mandates carried out in 2019/20.

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 Business Change Manager 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 2019/20

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 2019 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 continues. It is now expected that the reconciliation work will be completed by March 2021.

3. This was the second 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. A phased roll-out of MSS is expected to be completed by April 2021.

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 updated 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. The Service has again reviewed its Risk Register and Business Continuity Plan during the year and been subject to both internal and external audits.

7. 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.

8. 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 latest 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	18/19	19/20
In progress at start of year	2	0
New appeals during the year	0	0
In progress at end of year	0	0

IDRP	18/19			19/20		
	1st stage	1st stage	1st stage	1st stage	2nd Stage	PO
Complaint Not Upheld	1	1	1	0	0	0
Complaint Upheld	0	0	0	0	0	0
Withdrawn	0	0	0	0	0	0

2018/19

At the start of the year there were no cases in progress, no fresh applications were made and therefore at the end of the year there were no cases in progress.

SECTION 4 - ACTUARIAL REPORT ON FUND

Wandsworth Council Pension Fund

Actuary's Statement as at 31 March 2020

Introduction

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

Asset value and funding level

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

- The market value of the Fund's assets as at 31 March 2019 was £2,387m. For funding purposes, this market value is adjusted to be on a smoothed basis (consistent with the value of liabilities) and to allow for a 10% asset shock reserve. The smoothed value of the Fund's assets as at 31 March 2019 for valuation purposes was therefore £2,135m.

- The Fund had a funding level of 105% i.e. the smoothed assets were 105% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £100m.

Contribution rates

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

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;

- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

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

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

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

Assumptions

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

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

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	21.7 years
Average life expectancy for current pensioners - women currently age 65	24.3 years
Average life expectancy for future pensioners - men currently age 45	23.1 years
Average life expectancy for future pensioners - women currently age 45	25.8 years

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

Updated position since the 2019 valuation

Returns were strong for the first three quarters following the valuation date, however, recent market movements have seen significant falls in equity values. As at 31 March 2020, in market value terms, the Fund's assets were significantly less than where they were projected to be based on the previous valuation.

The projected liabilities will have increased due to the accrual of new benefits net of benefits paid, but offset by lower levels of projected future inflation. However the potential reduction in the value of the liabilities will be offset by lower expected future investment returns reflected in the discount rate underlying the valuation model.

On balance, we estimate that the funding position is likely to have fallen slightly when compared on a consistent basis to 31 March 2019. The change in inflation and discount rate is likely to reduce the employers' share of the cost of future accrual, or primary rate, but due to the worsening in funding position, this is likely to be offset by an increase in secondary contributions reflecting individual employers' funding positions.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspensions of dividends. There are also the other uncertainties around future benefits, relating to the McCloud and Sargeant cases and the ongoing cost cap management process.

We continue to monitor the situation and to consider the appropriateness of the assumptions used in our funding model. At the Fund's 2019 valuation, a 10% asset shock reserve was adopted in order to help achieve stability in funding in the case of future adverse experience. In addition to consideration of the funding model, this asset shock reserve can be implemented at the next valuation if required in order to help maintain stability of employer contributions.

Graeme D Muir FFA
Partner, Barnett Waddingham LLP

Early Retirement within the LGPS

The Councils have powers to make discretionary payments under the LGPS. These mainly relate to payments for early retirements. The Councils are also required to decide upon entitlements for ill health retirement benefits in accordance with the regulations. The Councils requires capital payments from Revenue into the Pension Fund at the time of each retirement to pay for all early and ill health retirements. Accordingly, funding risks are minimised. Capital payments into the Pension Fund for early retirements during 2018/19 and 2019/20 were £1,755,681 and £2,391,543 respectively.

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

Type of Early Retirement	Number in 18/19	Number in 19/20
Ill Health from active	7	12
Redundancy	50	41
Efficiency of the Service	0	3
Compassionate Retirement	0	0
Total	**57**	**56**
Total Capitalised Payments	**£1,755,681**	**£2,391,543**

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. (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. (c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. (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.	(a) Compliant. The management of the Council's Pension Fund administration and investment is delegated to the Council's Pensions 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) Not applicable. (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: - (i) employing authorities (including non-scheme	(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 the investment and administration of the

	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.	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 committees or panels have equal access to committee papers, documents	Compliant. Committee papers are sent to Members at least 5 clear working days prior to the meeting, subject to the provisions of Section 100 of the Local Government Act

	and advice that falls to be considered at meetings of the main committee.	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 2019/20 the Committee held three conventional quarterly meetings on 4 June 2019, 12 September 2019 and 4 December 2019. A further meeting was scheduled for 19 March 2020 but was cancelled after the publication of its agenda. In addition, a special purpose meeting was held concerning the audit of the Pension Fund accounts.

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.

4 June 2019 at 7.45 p.m.

Paper No. 19-148 presented the minutes from the Local Pension Board's meeting held on 8 May 2019.

Paper No. 19-149 reported on: proposed amendments to the Fund's Breaches and Communications policies, the adoption of CIPFA Key Performance Indicators and ESG matters.

Paper No. 19-150 concerned pension fund investment performance and aggregate Fund value / asset allocation.

In addition, the Committee received a presentation from the London CIV.

31 July 2019 at 7.00 p.m.

Paper No. 19-226 presented the Pension Fund Audit Report from Ernst & Young LLP (EY) relating the fund's accounts for year ending 31st March 2019.

12 September 2019 at 7.45 p.m.

Paper No. 19-245 presented the Pension Fund Annual Report for 2018/19.

Paper No. 19 246 concerned progress with regard to the Fund's ESG review (in particular "carbon footprinting"), the initial results of the "Good Governance in the LGPS" review, a specific manager issue within the London CIV, and a review of Member training.

Paper No. 19-247 concerned pension fund investment performance and aggregate Fund value / asset allocation.

In addition, the Committee received a presentation from the London CIV accompanied by Baillie Gifford.

4 December 2019 at 7.45 p.m.

Paper No. 19-342 presented the Fund's revised Funding Strategy Statement.

Paper No. 19-343 concerned the setting of objectives for the Fund's Investment Consultant.

Paper No. 19-344 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 19-345 concerned The Pension's Regulator's review of LGPS funds and also received the annual report of the Local Pension Board.

Paper No. 19-346 presented the minutes from the Local Pension Board's meeting held on 4 November 2019.

In addition, the Committee received a presentation from the Fund's actuary, Barnett Waddingham.

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 2019/20 met on 8 May 2019, 4 November 2019 and 11 February 2020. 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 Borough Council

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 37. 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 2019/20.

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 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 Accounts for the year 2019/20, 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 13, 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 2019/20, 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 Borough Council, 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 the Authority and the Authority’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
8 February 2021

Wandsworth Fund Account

2018/19 £000		Note	2019/20 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(59,942)	Contributions receivable	Note 7	(64,876)
(10,357)	Transfers In from Other Pension Funds	Note 8	(8,632)
(70,299)			(73,508)
77,336	Benefits payable	Note 9	79,625
19,034	Payments to and on account of Leavers	Note 10	18,793
96,370			98,418
26,071	**Net (Additions)/Withdrawals from Dealings with Members**		**24,910**
10,064	Management Expenses	Note 11	9,338
36,135	**Net (Additions)/Withdrawals including Fund Management Expenses**		**34,248**
	Returns on Investments		
(31,141)	Investment income	Note 12	(39,732)
155	Taxes on income	Note 12	227
(125,376)	(Profit)/Loss on Disposal of Investment and changes in Market Value	Note 15	228,204
(156,362)	**Net Returns on Investments**		**188,699**
(120,227)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**222,947**
(2,226,456)	Opening Net Assets of the Fund		(2,386,683)
(2,386,683)	**Closing Net Assets of the Fund**		**(2,163,736)**

Net Assets Statement

31st March 2019 £000		Note	31st March 2020 £000
	Long Term Assets		
300	- CIV Long Term Capital (Founders' Shares)		300
	Investment Assets		
2,363,811	- Investment Assets		2,139,844
24,741	- Cash Deposits with FM		48,672
(6,043)	Investment Liabilities		(29,802)
2,382,809	**Total Net Investments**	Note 14	2,159,014
94	Long Term Debtor	Note 31	985
	Current Assets	Note 32	
4,392	- Cash Deposits with Bank	Note 32	3,746
1,557	- Current Assets (excl. bank)	Note 32	2,545
6,043			7,276
(2,169)	Current Liabilities	Note 32	(2,554)
(2,169)			(2,554)
2,386,683	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**2,163,736**

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 29.

Notes to the Wandsworth Pension Fund Accounts

Note 1 Description of the Fund

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

a) General
The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

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

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

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

Membership details are set out below:

31st March 2019		31st March 2020
63	**Number of Employers with Active Members**	**63**
	Number of Employees in the Fund	
7,677	Councils (LBRuT & WBC)	8,312
2,801	Other Employers	2,897
10,478	**Total**	**11,209**
	Number of Pensioners (including dependants)	
9,054	Councils (LBRuT & WBC)	9,359
971	Other Employers	1,055
10,025	**Total**	**10,414**
	Number of Deferred Pensioners	
14,746	Councils (LBRuT & WBC)	15,188
2,611	Other Employers	3,016
17,357	**Total**	**18,204**
37,860	**Total Number of Members in the Fund**	**39,827**

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 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. The employer rates set under the 2019 valuation apply from 1 April 2020. The employer contribution rates that applied in the 2019/20 year ranged from 14.5% to 26.6% of pensionable pay in accordance with the previous fund valuation in 2016.

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 2019/20 financial year and its financial position at 31 March 2020. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 29.

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:

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

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

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.
Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 33) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).
Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. Where the agreement sets a date for the transfer, estimated values are recognised on this date where estimation is possible. Where no date is set, transfers are recognised on a cash basis.

c) Investment income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

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	The overall costs of the pensions administration team (including staffing, accommodation, management and other overheads) are analysed and the proportion of these costs relating to administering the Fund are charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment 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 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 2020 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 recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2020, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20Financial Statements guidance.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. 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 (see Note 31).

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. The Fund has not held any cash equivalents during this or the prior year.

m) Loans and receivables
Financial assets classed as amortised cost are carried in the Net Asset Statement at amortised cost, i.e. 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 i.e. 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 29).

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 33.

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 28. Actuarial re-valuations are used to set future contribution rates and underpin the Fund’s most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Asset Valuations and Covid 19

The Fund accounts include asset valuations at 31st March 2020 which is an acknowledged time of economic volatility due to the pandemic. The majority of the Fund’s investments represent listed securities (or similarly priced financial instruments) which have generally retained liquidity and price transparency (whilst evidencing volatility in market value). The key exceptions are the Fund’s investments in pooled property and private assets (Private Debt and Infrastructure). All four of the quoted property funds held had suspended unit issuance and redemption as at 31st March 2020, citing “material valuation uncertainty”. This is the industry-wide approach taken by the Royal Institution of Chartered Surveyors (RICS) independent valuers, who are unable to rely on previous market experience to form an opinion of value in current market conditions. While caveating their valuations in this way, RICS members will still have given valuations to the best of their ability against this market background.

In private assets (where partnership interests are not normally continuously redeemable), managers have continued to issue valuations according to their usual valuation criteria and the best available information.

All managers’ disclosures and certificates have been reviewed to ensure valuations included in the Fund’s accounts have, in the opinion of the Council, been prepared and issued on a reasonable basis. No adjustment has been made to figures provided by fund managers.

Private Debt and Infrastructure investments

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2020, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20Financial Statements guidance.

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.

The judgements used in assessing asset values where manager valuations at 31st March are unavailable and the impact of Covid 19 are detailed in Note 4. These assets are valued at £183.9m (Note 24) and a 1% change in value is £1.8m.

The use of currency hedging to mitigate future exchange rate risk is detailed in Note 21.

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 £51.6m a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £3.7m a one-year increase in assumed life expectancy would increase the liability by approximately £110.9m.

Note 6 Events After the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Resources and Deputy Chief Executive on 3 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 Contributions Receivable

31st March 2019 £000		31st March 2020 £000
(14,440)	**Employees' Contributions**	**(15,607)**
(39,386)	Normal Contributions	(42,330)
(4,906)	Deficit Recovery Contributions	(4,548)
(1,210)	Augmentation Contributions	(2,391)
(45,502)	**Employers' Contributions**	**(49,269)**
(59,942)	**Total Contributions by Category**	**(64,876)**
(52,829)	Scheduled Bodies	(58,181)
(3,346)	Admitted Bodies	(2,923)
(3,767)	Designated Bodies	(3,772)
(59,942)	**Total Contributions by Body**	**(64,876)**

Note 8 Transfers In from Other Pension Funds

31st March 2019 £000		31st March 2020 £000
(2,411)	Group Transfers	0
(7,946)	Individual Transfers	(8,632)
(10,357)		(8,632)

Note 9 Benefits Payable

31st March 2019 £000		31st March 2020 £000
63,784	Pensions	67,042
11,437	Commutation and Lump Sum Retirement Benefits	11,429
2,115	Lump Sum Death Benefits	1,154
77,336	**Total Benefits by Category**	**79,625**
72,971	Scheduled Bodies	75,948
3,872	Admitted Bodies	3,039
493	Designated Bodies	638
77,336	**Total Benefits by Body**	**79,625**

Note 10 Payments To and On Account of Leavers

31st March 2019 £000		31st March 2020 £000
408	Refund to Members Leaving Service	212
9,019	Group Transfers	9,663
9,607	Individual Transfers	8,918
19,034	**Total Payments to/on account of Leavers**	**18,793**

Note 11 Management Expenses

2018/19 £000		2019/20 £000
	Management Costs	
1,068	Administrative Costs	946
8,671	Investment Management Expenses	8,215
325	Oversight & Governance Costs	177
10,064	**Total Management Costs**	**9,338**
	Investment Management Expenses above includes:	
6,933	Management Fees	7,260
356	Performance Related Fees	63
54	Custody Fees	50
1,328	Transaction Costs	842
8,671	**Total Investment Management Costs (as above)**	**8,215**

Note 12 Investment Income

2018/19 £000		2019/20 £000
	Income from	
6,117	Bonds (corporate and government)	6,335
7,994	Equity	11,059
16,925	Pooled Investment (Unit Trusts & Other Managed Funds)	15,405
0	Infrastructure	5,120
0	Private Debt	1,484
105	Cash Deposits	329
31,141	**Total Investment Income**	**39,732**
	Taxes on Income	
26	Overseas Withholding Tax on Equities	48
129	Overseas Withholding Tax on Pooled Vehicles	179
155	**Total Taxes on Income**	**227**

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

Note 13 External Audit Costs

31st March 2019 £000		31st March 2020 £000
30	Payable in respect of external audit	27
0	18/19 Fee Rebate	(3)
30		**24**

Note 14 Investments

31st March 2018 £000		31st March 2020 £000
	Long Term Investments	
300	CIV Founders' Shares	300
	Other Investment Assets	
198,186	Bonds (corporate and government)	199,374
188,451	Equities	156,692
1,839,819	Pooled Investments	1,438,999
105,818	Pooled Property Investments	104,481
13,530	Infrastructure	117,363
11,585	Private debt	60,750
	Derivative Contracts	
128	- Futures	149
216	- Forward currency contracts	14,938
284	Cash Collateral	815
4,213	Investment Income Due	3,316
1,581	Amounts Receivable for Sales	42,967
0	Amounts Receivable for Pending Spot FX	0
2,363,811	**Other Investment Assets**	**2,139,844**
24,741	Cash Deposits	48,672
2,388,852	**Total Investment Assets**	**2,188,816**
	Investment Liabilities	
	Derivative Contracts	
(403)	- Futures	(413)
(3,228)	- Forward currency contracts	(20,238)
(2,196)	Amounts Payable for Purchases	(7,740)
(216)	Other Investment Liabilities	(1,411)
(6,043)	**Total Investment Liabilities**	**(29,802)**
2,382,809	**Net Investment Assets**	**2,159,014**

Note 15 Reconciliation of Movements in Investments and Derivatives

Asset Category	Market Value 1 April 2018 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in Market Value during the year £000	Market Value 31 March 2019 £000
Bonds (corporate and government)	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**	

Asset Category	Market Value 1 April 2019	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 2020
	£000	**£000**	**£000**	**£000**	**£000**
Bonds (corporate and government)	198,185	106,999	(102,137)	(3,674)	199,373
Equities	188,451	142,188	(138,169)	(35,778)	156,692
Pooled Investments	1,839,819	11,187	(251,112)	(160,895)	1,438,999
Pooled Property Investments	105,818	1,212	0	(2,549)	104,481
Infrastructure	13,530	103,925	(650)	558	117,363
Private debt	11,585	46,982	(381)	2,564	60,750
Investments excl. Derivatives & CIV	**2,357,388**	**412,493**	**(492,449)**	**(199,774)**	**2,077,658**
Derivative Contract:					
Futures	(275)	2,743	(3,425)	693	(264)
Forward Currency Contracts	(3,011)	71,281	(44,442)	(29,127)	(5,299)
	2,354,102	**486,517**	**(540,316)**	**(228,208)**	**2,072,095**
Other Investment Balances:					
Cash Deposits	24,741			392	48,672
Amount Receivable for Sales & Investments	1,581			(8)	42,967
Investment Income Due	4,213			0	3,316
Spot FX Contracts	0			36	(1)
Amount Payable for Purchases of Investments	(2,196)			14	(7,739)
Cash Collateral	68			0	(596)
Obligation to Return Cash Collateral	0				0
Total Net Investments excl. CIV	**2,382,509**			**(227,774)**	**2,158,714**
Other changes in balances recognised in the Fund Account				(429)	
Profit/(Loss) on Disposal of Investment and changes in Market Value				**(228,203)**	

Purchases and sales of derivatives are recognised as follows:

- Futures – on close out or expiry the variation margins are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts settlements are reported as gross receipts and payments.

Note 16 Analysis of Investments

31st March 2019 £000		31st March 2020 £000
	Bonds (corporate and government)	
	UK	
6,029	Public Sector - quoted	5,401
66,263	Corporate - quoted	65,882
33,655	Public Sector - index linked	43,239
	Overseas	
9,238	Public Sector - quoted	14,056
83,000	Corporate - quoted	70,795
198,185	**Bonds (corporate and government) total**	199,373
	Equities	
	UK	
181,260	Quoted	149,408
	Overseas	
7,191	Quoted	7,285
188,451	**Equities total**	156,693
	Pooled Funds - Additional analysis	
	UK	
362,765	Fixed Income Unit Trust	293,581
510,618	Equity Unit Trust	358,449
0	Diversified Growth Unit Trust	0
	Overseas	
6,786	Fixed Income Unit Trust	6,463
959,650	Equity Unit Trust	780,506
1,839,819	**Pooled Funds total**	1,438,999
105,818	Pooled Property Investments Unit Trust (UK)	104,481
13,530	Unquoted Pooled Infrastructure (Overseas)	117,363
11,585	Unquoted Pooled Private Debt (Overseas)	60,750
2,357,388	**Total Investments (excl. derivatives & CIV)**	**2,077,659**
(3,287)	Derivatives	(5,564)
3,667	Other investments *	37,947
24,741	Cash	48,672
25,121		81,055
2,382,509	**Total**	**2,158,714**

* This balance includes unsettled sale of diversified growth fund which was in progress at 31st March

Note 17 Investments Analysed by Fund Manager

Market Value 31st March 2019 £000	%		Market Value 31st March 2020 £000	%
176	0.0	Aberdeen (Property Pooled Vehicle)	179	0.0
16,436	0.7	Northern Trust (Custodian)	33,600	1.6
208,064	8.8	Allianz (Enhanced Bonds) *	210,339	9.7
331,816	13.9	London LGPS CIV (Longview Global Equity)	289,739	13.4
192,576	8.1	River & Mercantile (UK Equity)*	164,450	7.6
22	0.0	London LGPS CIV (Allianz Global Equity)	22	0.0
293,407	12.3	UBSGAM (Passive Multi-Asset)	242,783	11.2
255,992	10.8	London LGPS CIV (Baillie Gifford Global Equity)	250,495	11.6
139,281	5.8	London LGPS CIV and Direct CQS (Multi-Asset Credit)	111,180	5.2
105,603	4.4	Oakhill (Multi-Asset Credit)	89,653	4.1
456,244	19.1	L&G (Passive Multi-Asset & Pooled Property)	396,341	18.4
235,744	9.9	Janus Henderson (Multi-Asset & Pooled Property)	77,208	3.6
4,486	0.2	CCLA / LAMIT (Pooled Property)	4,326	0.2
73,732	3.1	London LGPS CIV (Baillie Gifford DGF)	66,474	3.1
43,546	1.8	Schroders (Pooled Property)	43,221	2.0
(2,393)	(0.1)	Russell Investments (FX Overlay)*	(3,796)	(0.2)
0	0.0	JP Morgan Asset Management (Infrastructure)	103,614	4.8
13,530	0.6	Pantheon Ventures (Infrastructure)	18,498	0.9
4,097	0.2	Brightwood (Private Debt)	13,624	0.6
10,150	0.4	Churchill (Private Debt)	34,860	1.6
0	0.0	Permira Advisors LLP (Private Debt)	12,991	0.6
0	0.0	Russell Investments PCO (Private Debt)	(249)	0.0
0	0.0	Russell Investments PCO (Infrastructure)	(983)	0.0
0	0.0	Rogge Collateral Account	145	0.0
2,382,509	**100.0**	**Fund Manager total**	**2,158,714**	**100.0**
300		CIV Founders Shares	300	
2,382,809		**Total Net Investments**	**2,159,014**	

* 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 2019			Market Value 31st March 2020	
£000	% of Fund		£000	% of Fund
331,676	13.9%	London LGPS CIV (Longview Global Equity)	289,595	13.4%
255,906	10.7%	London LGPS CIV (Baillie Gifford Global Equity)	250,398	11.6%
275,699	11.6%	UBSGAM Life UK Equity Tracker	228,176	10.6%
214,165	9.0%	LGIM Global Developed Passive (Global Equity)	204,407	9.5%
1,077,446	**45.2%**	**Total Investment Assets**	**972,576**	**45.1%**

Note 18 Stock Lending

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

Note 19 Property Holdings

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

Note 20 Analysis of Derivatives

Objectives and Policies for Holding Derivatives

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

In addition to derivatives contained within pooled vehicles (such as the Multi-Asset Credit funds) the Fund uses derivatives in :
(1) the Allianz Global Investors bond mandate, largely to mitigate "off-benchmark" risks that are a feature of the manager's permitted investment approach
(2) in a strategic currency hedging programme ("Passive Currency Overly / PCO") implemented by Russell Investments, which is more fully described in Note 21.

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 2019 £000	Type	Expires	Economic Exposure £000	Market Value 31st March 2020 £000
		Assets			
0	0	UK Fixed Income Futures	< 1 Year	1,770	82
11,248	128	Overseas Fixed Income Futures	< 1 Year	74,395	67
	128	**Total Assets**			**149**
		Liabilities			
0	0	UK Fixed Income Futures	< 1 Year	0	0
(31,132)	(403)	Overseas Fixed Income Futures	< 1 Year	(35,348)	(413)
	(403)	**Total Liabilities**			**(413)**
	(275)	**Net Futures**			**(264)**

Open Forward Foreign Currency Contracts

Settlements	Currency Bought	Local Value of Currency Bought £000	Currency Sold	Local Value of Currency Sold £000	Asset Value £000	Liability Value £000
< 1 month	IDR	121,689,802	USD	(8,568)	0	(897)
< 1 month	KRW	5,035,432	USD	(4,356)	0	(178)
< 1 month	RUB	268,662	USD	(4,327)	0	(721)
< 1 month	MXN	107,113	USD	(5,380)	27	(690)
< 1 month	JPY	95,402	GBP	(705)	8	0
< 1 month	GBP	53,163	EUR	(62,848)	0	(2,479)
< 1 month	GBP	51,601	USD	(67,899)	0	(3,126)
< 1 month	GBP	37,890	JPY	(5,422,443)	0	(2,651)
< 1 month	THB	18,802	USD	(578)	0	(3)
< 1 month	GBP	16,455	CAD	(28,432)	351	0
< 1 month	GBP	15,257	CHF	(19,293)	0	(839)
< 1 month	USD	12,924	GBP	(10,103)	313	0
< 1 month	GBP	11,756	AUD	(22,517)	647	0
< 1 month	SEK	10,965	GBP	(888)	4	0
< 1 month	GBP	8,693	MXN	(218,523)	1,197	0
< 1 month	EUR	8,622	GBP	(7,605)	28	0
< 1 month	GBP	5,404	SEK	(67,410)	0	(84)
< 1 month	CAD	5,351	GBP	(3,031)	0	0
< 1 month	AUD	4,439	GBP	(2,196)	0	(6)
< 1 month	USD	4,431	MXN	(85,850)	628	0
< 1 month	USD	4,360	THB	(131,938)	274	0
< 1 month	USD	4,103	RUB	(273,187)	493	0

< 1 month	USD	3,573	IDR	(50,984,938)	362	0
< 1 month	GBP	2,065	SGD	(3,666)	0	(12)
< 1 month	SGD	650	GBP	(368)	1	0
< 1 month	USD	591	KRW	(741,880)	0	(15)
< 1 month	CHF	342	GBP	(285)	0	0
1-6 months	JPY	628,519	USD	(6,008)	0	(135)
1-6 months	GBP	393,446	USD	(486,110)	9,866	(7,953)
1-6 months	SEK	54,629	EUR	(5,076)	0	(51)
1-6 months	USD	23,878	GBP	(19,340)	13	(125)
1-6 months	USD	5,984	JPY	(625,913)	135	0
1-6 months	GBP	5,868	HKD	(53,766)	284	0
1-6 months	EUR	5,076	SEK	(54,652)	49	0
1-6 months	HKD	5,034	GBP	(523)	0	0
1-6 months	AUD	4,378	USD	(2,870)	0	(153)
1-6 months	CAD	4,044	USD	(2,958)	0	(93)
1-6 months	USD	2,958	CAD	(4,043)	93	0
1-6 months	USD	2,869	AUD	(4,378)	152	0
1-6 months	GBP	1,242	EUR	(1,424)	0	(20)
1-6 months	USD	425	EUR	(373)	12	0
1-6 months	EUR	214	USD	(243)	0	(7)
1-6 months	EUR	110	GBP	(96)	1	0
Open Forward Currency Contracts at 31st March 2020					**14,938**	**(20,238)**
Net Forward Currency Contracts at 31st March 2020						**(5,300)**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2019					216	(3,228)
Net Forward Currency Contracts at 31st March 2019						(3,012)

Note 21 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 2019/20:

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 £0.098m.

** 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:

	Nominal Value	Inception date	Carrying Value at 31st March 2020	Changes in Fair Value in 2019/20	Changes in Fair Value since Inception	Hedge effectiveness 2019/20	Hedge effectiveness since Inception	Where effectiveness has been recognised
	£000		£000	£000	£000	%	%	
Forward Foreign Exchange Contracts (hedging Equity)	432,578	31/05/2018	(3,802)	(25,475)	(34,136)	-5.7%	-7.7%	As part of change in market value of investments
Forward Foreign Exchange Contracts (hedging Private Debt)	47,613	01/02/2019	(282)	(2,516)	(2,615)	-7.0%	-7.7%	As part of change in market value of investments
Forward Foreign Exchange Contracts (hedging Infrastructure)	57,645	01/02/2019	(995)	(492)	(582)	-1.3%	-1.3%	As part of change in market value of investments

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 22 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. CIV Long Term Capital is not held for investment purposes, it represents our commitment to the London Collective Investment Vehicle (LCIV) which was made for operational reasons to allow the Fund to access LCIV investments and obtain the benefits of pooled investment. There is no expectation of any capital appreciation or revenue return from this asset. It is therefore carried at cost.

Unquoted private debt and infrastructure are valued at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2020, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Bonds (corporate and government)	Level 2	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 2	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Pooled Property Investments	Level 2	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
Pooled Private Debt	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required	Not Required	Not Required
Pooled Infrastructure	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required	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 2020.

Asset	Assessed valuation range (+/-)	Value at 31st March 2020 £000	Value on Increase £000	Value on Decrease £000
Infrastructure	17.0%	117,363	137,315	97,411
Private Debt	11.0%	60,750	67,433	54,068
		178,113	204,748	151,479

Asset	Assessed valuation range (+/-)	Value at 31st March 2019 £000	Value on Increase £000	Value on Decrease £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 23 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.

- 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.
- 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).
- 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 2019			
	Quoted Market Price Level 1 £000	**Using Observable Inputs Level 2 £000**	**With Significant Unobservable Inputs Level 3 £000**	**Total £000**
Financial Assets				
Fair value through profit & loss	187,939	2,143,866	26,211	2,358,016
Amortised Cost	25,672	4,863	0	30,535
	213,611	**2,148,729**	**26,211**	**2,388,551**
Financial Liabilities				
Fair value through profit & loss	(618)	(5,424)	0	(6,042)
	(618)	**(5,424)**	**0**	**(6,042)**
Total	**212,993**	**2,143,305**	**26,211**	**2,382,509**

	31st March 2020			
	Quoted Market Price Level 1 £000	**Using Observable Inputs Level 2 £000**	**With Significant Unobservable Inputs Level 3 £000**	**Total £000**
Financial Assets				
Fair value through profit and loss	161,069	1,754,378	178,113	2,093,560
Amortised Cost	49,382	45,573	0	94,955
	210,451	**1,799,951**	**178,113**	**2,188,515**
Financial Liabilities				
Fair value through profit and loss	(1,823)	(27,978)	0	(29,801)
	(1,823)	**(27,978)**	**0**	**(29,801)**
Total	**208,628**	**1,771,973**	**178,113**	**2,158,714**

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

Note 24 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 2019	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 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Overseas equities	920	0	0	0	(878)	(162)	120	0
UK Property Funds	177	0	0	0	0	3	0	180
Infrastructure	13,530	0	0	103,925	(650)	392	166	117,363
Private Debt	11,585	0	0	46,982	(381)	2,567	(3)	60,750
UK public sector Index linked	0	3,046	0	0	0	2,556	0	5,602
	26,212	3,046	0	150,907	(1,909)	5,356	283	183,895

	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 25 Classification of Financial Instruments

31st March 2019				31st March 2020		
Designated as fair value through P&L	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost		Designated as fair value through P&L	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
198,186			Bonds (corporate and government)	199,374		
188,451			Equities	156,692		
1,839,818			Pooled Investments	1,438,999		
105,818			Pooled Property Investments	104,481		
13,530			Infrastructure	117,363		
11,585			Private Debt	60,750		
344			Derivative Contracts	15,087		
0	24,741		Cash	0	48,672	
284	4,213		Other Investment Balances	815	3,316	
0	1,581		Current Assets	0	42,966	
2,358,016	**30,535**	**0**	**Total Assets**	**2,093,561**	**94,954**	**0**
			Financial Liabilities			
(3,631)			Derivative Contracts	(20,651)		
		(215)	Other Investment Balances			(1,411)
		(2,196)	Creditors			(7,739)
(3,631)	**0**	**(2,411)**	**Total Liabilities**	**(20,651)**	**0**	**(9,150)**
2,354,385	**30,535**	**(2,411)**	**Net Total**	**2,072,910**	**94,954**	**(9,150)**

Note 26 Net Gains & Losses on Financial Instruments

2018/19 £000		2019/20 £000
	Financial Assets	
135,826	Fair value through profit and loss	(199,776)
83	Assets at amortised cost - Realised gain	442
135,909		**(199,334)**
	Financial Liabilities	
(11,130)	Fair value through profit and loss	(28,433)
(85)	Liabilities at amortised cost - Realised loss	(8)
(11,215)		**(28,441)**
124,694	**Net Gain/(Loss) on Financial Instruments**	**(227,775)**

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 27 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 (i.e. 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:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- 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 2020/21, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value at 31st March 2020 £000	Potential Market Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
UK Fixed Interest Gilts	5,401	8.2%	5,844	4,958
UK Index-Linked Gilts	57,846	9.4%	63,283	52,408
UK Non Government Bonds	217,382	7.0%	232,598	202,165
Overseas Bonds	17,957	10.2%	19,790	16,125
Multi-Asset Credit	200,832	8.5%	217,903	183,761
UK Equities	481,483	21.1%	583,075	379,890
Overseas Equities	780,506	22.6%	956,900	604,112
Pooled Property Investments	104,481	14.2%	119,317	89,646
Diversified Growth Fund	33,658	11.9%	37,663	29,654
Private Debt	60,750	11.0%	67,433	54,069
Infrastructure	117,363	17.0%	137,315	97,412
Total Assets Invested excluding derivatives, other investments and cash	**2,077,659**		**2,441,121**	**1,714,200**

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 2020 and 31 March 2019 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 2020 £000	Change in Year in Net Assets Available to Pay Benefits +100bps £000	-100bps £000
Asset Type			
Cash and Cash Equivalents	52,418	524	(524)
Bonds (corporate and government)	199,373	1,994	(1,994)
Fixed Income Pooled Funds	300,044	3,000	(3,000)
Total	**551,835**	**5,518**	**(5,518)**

	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)
Bonds (corporate and government)	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 2020 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Bonds	17,957	10%	19,753	16,161
Overseas Equities	780,506	10%	858,557	702,455
Overseas Infrastructure	117,363	10%	129,099	105,627
Overseas Private Debt	60,750	10%	66,825	54,675
Total Overseas Assets	**976,576**		**1,074,234**	**878,918**

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 quoted above will be offset by the currency hedging arrangement, reducing the volatility associated with foreign exchange rate movements.

b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. 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 2019 £000		Credit Rating	Balances at 31st March 2020 £000
	Moneymarket Funds		
23,987	NTGI Global Cash Fund	AAA	48,009
	Bank Deposit Accounts		
754	Variation margin		663
	Bank Current Accounts		
4,376	Held with the Council's Bank		3,746
29,117	**Total**		**52,418**

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 2020 and 31 March 2019 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.

Six 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 2019/20 or 2018/19.

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:

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

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 2020 the value of illiquid assets represented £483.4m, 22.4% of the total fund value (at 31 March 2019 this was £365.7m or 15.3% 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 the power to borrow long term (only to fund benefit payments or asset allocation changes with repayment within 3 months) and has not borrowed in year so has no exposure to this risk.

Note 28 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. However, the contribution rates approved in the prior valuation at 31 March 2016 were still in place for the year 2019/20 and therefore it is this valuation which is used here.

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.
All employers have individual rates, however the average employer's primary contribution rate across the Fund was :

Year	Rate
2017/18	18%
2018/19	18%
2019/20	18%

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:

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

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

Year Ended	Prospective Pensioners	Pensioners
31st March 2016	2015 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.5% p.a.	2015 CMI Model with long term rate of improvement of 1.5% p.a.

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 29 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 28). The actuary has also valued ill health and death benefits in line with IAS 19.

The impact of the McCloud ruling continues to be estimated on the same basis as 2018/19, so the figures below are shown on a comparable basis. Guidance on the implementation is anticipated in the summer. This will inform future calculations of benefits.

31 March 2019 £000		**31 March 2020 £000**
(2,869,899)	Present value of promised retirement benefits	(2,689,668)
2,386,753	Fair value of scheme assets (bid value)	2,162,460
(483,146)	**Net Liability**	**(527,208)**

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 purposes (see Note 28) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2019 % p.a.		**31 March 2020 % p.a.**
2.40	Discount rate	2.35
2.40	Inflation / pension increase rate assumption	1.90
3.90	Salary increase	2.90

Note 30 Going Concern

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for UK public sector and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts summarise the transactions and net assets of the fund. They do not take account of future liabilities to pay pensions and other benefits after 31st March

2020 reporting period. The actuarial present value of promised retirement benefits, valued on International Accounting Standard (IAS) basis, is disclosed at Note 29.

The accounts have been prepared on a going concern basis. The Wandsworth Pension Fund remains a statutory open scheme, with a strong covenant from the participating employers and is therefore able to take a long term outlook when considering the general investment and funding implications of external events. The Pension Fund remains a long term investor and has reduced its allocation to equities and gilts and increased allocation to real assets and multi asset credit to increase returns without impacting risk. The Fund will continue to monitor all tasks on an ongoing basis and will consider appropriate actions where necessary.

The 2019 valuation calculated the funding level at 105%, meaning based on agreed assumptions, the fund should be able to make all required payments with a 5% margin. The assumptions behind this calculation cover pay increases, benefit increases, inflation, investment returns, discount rate, mortality, changes to employment levels and behaviours of members on retirement. Wandsworth Pension Valuation Report 2019 gives further information on the valuation process.

Key Data & Assumptions	**31st March 2016 % p.a.**	**31st March 2019 % p.a.**
Primary rate	18.0%	19.6%
Salary Increases	3.9%	3.6%
Pensions Increases (CPI)	2.4%	2.6%
Discount Rate / Long Term Investment return	4.7%	4.5%
Commutation	50% of max	50% of max
Life expectancy age 65		Years
Current pensioners age 65 - men		21.7
Current pensioners age 65 - women		24.3
Future pensioners age 45 - men		23.1
Future pensioners age 45 - women		25.8

The 2019 valuation gave a 105% funding level after allowing for a 10% asset shock reserve (approx. £0.2bn). The asset shock reserve was created to allow for smoothing of market volatility and therefore was available to mitigate the loss of £0.2bn in asset value during 2019/20. This loss was mainly due to market volatility and not any intrinsic impairment to the underlying assets (although some may have an ongoing loss due to changes to the economy and behaviours once a new normal is established). The Fund's performance report to Joint Pensions Committee on 16th September 2020 reported asset values of £2.4bn supporting the assumption this position.

The investment return required in the valuation of 4.5% is a long term assumption taking into account market volatility and compares favourably with the actual return of 11% over the 3 years since the 2016 valuation (which assumed 4.7% return). The quarterly return reported to September Committee was +11.8%, again supporting recovery from the market value loss which was in any case mitigated by the asset shock reserve. The recent asset allocation review aimed to generate returns above the discount rate to increase prudence in the investments.

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

The Fund recognises it is cash flow negative in dealing with members and therefore has existing plans in place to cover this cash deficit from investment returns and potentially liquidation of assets if needed in later years. The Fund held £52m in cash at 31st March and currently has a 60% asset allocation to equity which could be liquidated very quickly if needed.

Richmond and Wandsworth councils represented 74% of regular contributions to the Fund during 2019/20, and as administering authority, Wandsworth is the funder of last resort. The Fund therefore received the majority of its income from public bodies backed by the government, as well as having recourse to one of these bodies for short term lending if needed, giving a high level of certainty over cashflows.

Note 31 Long Term Debtors

31st March 2019		31st March 2020
£000		**£000**
	Long Term Debtors	
0	Opening Balance	94
98	Lifetime tax allowance paid in year	934
(4)	Recovery from pension in year	(43)
94		**985**

Note 32 Current Assets & Liabilities

Balance at 31st March 2019		Balance at 31st March 2020
£000		£000
	Current Assets	
4,392	Cash at Bank	**3,746**
817	Contributions Due	1,365
151	VAT recovery due	43
187	Amount Due from Richmond & Wandsworth	1,056
29	Overpaid Pensions	0
373	Sundry Debtors	81
1,557		**2,545**
	Current Liabilities	
(661)	Unpaid Benefits	(357)
(344)	Fund Managers' fees	(322)
0	Amount Due to Richmond & Wandsworth	(937)
(748)	Amount Due to HMRC	(748)
(4)	Pensions Due to Estate of deceased pensioner	(2)
(412)	Sundry Creditors	(188)
(2,169)		**(2,554)**

Note 33 Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions (who took on Equitable Life policies from 1st January 2020). AVCs are entirely separate from the Fund Accounts.

31st March 2019 £000		31st March 2020 £000
	Market Value of AVCs	
3,738	**Balance at the Beginning of the Year**	**3,964**
651	Investments Purchased with AVCs	366
(605)	Sale of Investments to settle Benefits Due to Members	(505)
180	Change in Value of AVCs (investment income and changes in market value)	1
3,964	**Balance at End of the Year**	**3,826**

Note 34 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 2019/20 was £0.867m (£0.878m in 2018/19), with payments on behalf of other employers totalling less than £200k in both years.

Note 35 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, three 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 DeSouza, Susan Shaw and Peter Quirk are active members and Roy Roach and John Steer are pensioners in the 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:

- Mr M Maidment (Director of Resources and Deputy Chief Executive)
- Mr P Guilliotti (Assistant Director - Financial Services)
- Mr M Doyle (Head of Pensions Shared Service)
- 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 £0.728m for expenses incurred in administering the Fund in 2019/20 compared to £0.754m in 2018/19. The Councils' charges for administration of and the provision of associated services to the Fund are included in the totals in Note 11.

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:

2019/20	Salary (including fees and allowances)	Employers pension contribution	Remuneration including pension contributions 2019/20
Director of Resources & Deputy Chief Executive - M. Maidment	137,421	24,736	162,157

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

Employer's contributions	WBC	RuT	SSA
- Normal	6,448	4,341	20,568
- Deficit	0	3,513	0
- Augmentation (Strain costs)	443	139	1,359
Total	**6,891**	**7,993**	**21,927**

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 31st March 2020 the Fund had £624m invested through LCIV, compared to £720m at 31st March 2019. More information on the funds invested in can be found in Note 17 Investments Analysed by Fund Manager.

Note 36 Key Management Personnel

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

Officers do not receive additional remuneration for their role in the Pension Fund. The charge made by Wandsworth Council for administering the Fund incudes the cost of officers, and is disclosed in Note 35 above.

Note 37 Contingent Liabilities and Contractual Commitments

Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2020 were $187m (£150m) compared to US $152m (£117m) at 31 March 2019. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure and private debt parts of the portfolio. The amounts 'called' by these funds are irregular in size and tend to occur quarterly from the date of each original commitment, until the funds are fully subscribed.

Contingent Liabilities
Six 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 2019/20 or 2018/19.

Note 38 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.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. This amendment may change the Fund’s IAS 19 reporting but the impact will depend on whether there are any settlements or curtailments in year and so impact cannot be estimated at present.

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 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle

Pension Fund Accounts Reporting Requirement

Wandsworth Council Pension Fund - IAS26 Disclosures 31 March 2020

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 2020. 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.

Please note that an allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

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 2019 which was carried out for funding purposes and the results of the 31 March 2019 IAS26 report which was prepared for accounting purposes (Version 3 dated 22 July 2019);
- Estimated whole Fund income and expenditure items for the period to 31 March 2020;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019 and 31 March 2020; and
- Details of any new early retirements for the period to 31 March 2020 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 2019.

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

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2020.

We have been notified of 28 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 £323,500.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2020 is estimated to be -8%. 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 2020 is as follows:

Asset breakdown	31 Mar 2020		31 Mar 2019	
	£000s	%	£000s	%
Equities	1,261,989	58%	1,584,773	66%
Gilts	57,846	3%	69,329	3%
Other bonds	301,895	14%	265,126	11%
Property	221,844	10%	119,348	5%
Cash	84,396	4%	29,711	1%
Multi-asset fund	234,490	11%	318,466	13%
Total	**2,162,460**	**100%**	**2,386,753**	**100%**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2020 may 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 2020, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, 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 2020 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2020 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.

This has been updated since the last accounting date when the results were based on a continuation of the roll forward from the 31 March 2016 funding valuation.

Experience items allowed for since the previous accounting date

Results are based on a roll forward of a full valuation of funded membership data at 31 March 2019. As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation of liabilities to 31 March 2020. The effect of allowing for the actual experience is shown in Appendix 2.

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.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females. These base tables are then projected using the CMI_2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a.

This has been updated since the last accounting date when the demographic assumptions were based on those adopted for the Fund's 31 March 2016 valuation (updated to use the CMI_2018 Model). Further details of the previous assumption adopted can be found in last year's accounting report. The impact of updating the demographic assumptions is set out in the Change in demographic assumptions figure in Table 1 of Appendix 2.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2020	31 Mar 2019
Retiring today			
	Males	21.8	23.4
	Females	24.4	24.8
Retiring in 20 years			
	Males	23.2	25.0
	Females	25.8	26.6

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 2020	31 Mar 2019	31 Mar 2018
	% p.a.	% p.a.	% p.a.
Discount rate	2.35%	2.40%	2.55%
Pension increases	1.90%	2.40%	2.30%
Salary increases	2.90%	3.90%	3.80%

These assumptions are set with reference to market conditions at 31 March 2020.

Our estimate of the Fund's past service liability duration is 20 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 0.8% p.a. below RPI i.e. 1.9% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

Salaries are assumed to increase at 1.0% p.a. above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

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.

We are not aware of any additional benefits which were granted over the year ending 31 March 2020..

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 28 former employees became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £1,375,000. This figure has been included within the service cost in the statement of profit and loss.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year

Results and disclosures

We estimate that the net liability as at 31 March 2020 is a liability of £527,208,000.

The results of our calculations for the year ended 31 March 2020 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2020;
- 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 2020

Net pension asset as at	31 Mar 2020 £000s	31 Mar 2019 £000s	31 Mar 2018 £000s
Present value of the defined benefit obligation	2,689,668	2,869,899	2,817,296
Fair value of Fund assets (bid value)	2,162,460	2,386,753	2,265,060
Net liability in balance sheet	**527,208**	**483,146**	**552,236**

* Present value of funded obligation consists of £2,654,581,000 in respect of vested obligation and £35,087,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2020

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2020 £000s	Year to 31 Mar 2019 £000s
Opening defined benefit obligation	**2,869,899**	**2,817,296**
Current service cost	90,986	82,033
Interest cost	68,014	70,646
Change in financial assumptions	(266,382)	128,498
Change in demographic assumptions	(86,864)	(166,426)
Experience loss/(gain) on defined benefit obligation	86,818	-
Liabilities assumed / (extinguished) on settlements	-	(11,198)
Estimated benefits paid net of transfers in	(89,786)	(79,401)
Past service costs, including curtailments	1,375	14,011
Contributions by Scheme participants and other employers	15,608	14,440
Unfunded pension payments	-	-
Closing defined benefit obligation	**2,689,668**	**2,869,899**

Reconciliation of opening & closing balances of the fair value of Fund assets	**Year to 31 Mar 2020 £000s**	**Year to 31 Mar 2019 £000s**
Opening fair value of Fund assets	**2,386,753**	**2,265,060**
Interest on assets	56,996	57,493
Return on assets less interest	(257,038)	91,660
Other actuarial gains/(losses)	935	-
Administration expenses	(1,214)	(1,394)
Contributions by employer including unfunded	50,206	45,503
Contributions by Scheme participants and other employers	15,608	14,440
Estimated benefits paid plus unfunded net of transfers in	(89,786)	(79,401)
Settlement prices received / (paid)	-	(6,608)
Closing Fair value of Fund assets	**2,162,460**	**2,386,753**

The total return on the Fund's assets for the year to 31 March 2020 is (£200,042,000).

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	2,689,668	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	2,638,083	2,742,314
Long term salary increase	2,693,325	2,686,039
Pension increases and deferred revaluation	2,738,840	2,641,436
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	2,800,558	2,583,504

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 requires every local authority that administers a pension fund to prepare, maintain and publish a written statement setting out their funding strategy, addressing these assumptions and judgements. The Fund's actuary, when undertaking triennial valuations, must then have regard to this statement.

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, while taking into account the different characteristics of participating employers;

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; and

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

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

Responsibilities of Key Parties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. 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 primary contribution rate as possible; and

d. this Funding Strategy Statement.

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

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

Fund Investment Policy

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

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

16. 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.

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

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

Funding Strategy

19. 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.

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

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

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

Funding Method

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

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

25. For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:
    a. The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a shortfall; and

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

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

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

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

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

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

Assumptions

31. 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.

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

Investment Performance/Discount Rate

33. 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.

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

35. At the time of drafting this FSS, it is still unclear how the McCloud/Sargeant judgements (see Regulatory Risks section) will affect current and future LGPS benefits. Therefore, as part of the Fund’s 2019 valuation, the prudence allowance incorporated into the discount rate assumption included consideration of the risk of member benefits being uplifted as part of a remedy and becoming more expensive.

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

Pay and Price Inflation

37. 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.

38. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.5% p.a. This includes an allowance for promotional increases.

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

Longevity

40. Life expectancy is a key determinant in the valuation of 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 but and the recent improvements in life expectancy have been slower than previously predicted. However, experience does vary across the country and from Fund to Fund. The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

41. For the 31 March 2019 valuation, ~~-~~longevity is assumed to increase in line with the Actuarial Profession's Continuous Mortality Investigation ("CMI") 2018 projected improvements with a long term rate of improvement of 1.5% p.a., a smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a.

Assets

42. The asset value used for funding purposes is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities. The asset value used for funding purposes also allows for a 10% asset shock reserve to allow for adverse short term financial experience in the period to the next valuation.

Employer Contribution Rates

Funding Level

43. The funding level determined in the actuarial valuation is the result of comparing the funding assets with the existing and future liabilities already accrued in

respect of the service of Scheme members up to the valuation date. The prudential target is to achieve/maintain 100% funding with assets and liabilities in balance.

44. 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

45. 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.

46. 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.

47. 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.

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

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

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

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

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

49. Stable contribution rates are not the only mechanism available to the Councils for protecting local taxpayers from the impact of market volatility. Reserves for pension liabilities may be established as soon as market conditions suggest significant adverse impact at the next valuation, and these could be applied to offset the effect of the consequential increase in employer contributions. Other

participating employers and schools are also empowered to establish provisions and reserves to have a similar effect within their own budgets. For these employers and for the Councils, the scope for such provisions and reserves depends upon the degree of other financial pressures at the time. In the event of the funding level showing a surplus, this should be spread over a period with consideration of both prudence and the desirability of maintaining as nearly constant employer contribution rates as possible.

Stepped Contribution Changes

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

Pooling or Individual Adjustment

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

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

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

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

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

Risk sharing

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

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

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

Early Retirement Costs

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

Employer Commencement

58. When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate.

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

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

Employer Cessation

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

62. In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

63. For exits on or after 1 April 2020, the actuary will add 1% to the value of the exiting employer's liabilities as a prudent margin until the additional liabilities arising due to the McCloud case and GMP equalisation are known.

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

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

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

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

Bulk transfers

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

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

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

Risks and Counter-Measures

71. 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.

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

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

Financial risks

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

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

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

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

Demographic risks

78. Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement

in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

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

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

Maturity risk

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

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

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

Regulatory Risks

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

85. There are a number of general risks to the Fund and the LGPS, including:
    a. If the LGPS was to be discontinued in its current form it is not known what

would happen to members' benefits.

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

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

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

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

McCloud/Sargeant judgements and cost cap

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

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

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

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

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

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

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

    a. amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
    b. a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
    c. proposals for flexibility on exit payments;
    d. proposals for further policy changes to exit credits; and
    e. proposals for changes to the employers required to offer LGPS membership.

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

Governance risks

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

Version	Nature of Change	Implemented
V1	Initial Creation	April 2005
V2	Reflecting the 2007 Valuation	April 2008
V3	Reflecting the 2010 Valuation and a move to risk based outcome modelling	April 2011
V4	Reflecting the 2013 Valuation and a move to economic rate discount model	April 2014 subject to amendment

V5	Reflecting the 2016 Valuation and the transfer of assets and liabilities from the Richmond Council Pension Fund	April 2017 subject to amendment
V6	Reflecting changes proposed by the Fund's Actuary November 2017	November 2017
V7	Reflecting the 2019 Valuation	April 2020

SECTION 8 – INVESTMENT STRATEGY STATEMENT

March 2020

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

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 March 2019).

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 2019Triennial Valuation 105%. 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. 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 active fund (including money invested in sub-funds within the London CIV) hold more that 15% of the Fund’s assets this will be reported to the next Pension Committee for authorisation to continue or rebalance to below 15%. No fund manager shall hold (including money invested via the London CIV) more than 25% of the Fund’s assets. Percentages will be rounded to the nearest whole number.

Managers

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 58-60.

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 2019 analysis highlighted these pots were funded at the following levels: Richmond (96%); SSA (101%); and Wandsworth (114%). This analysis will be revisited as part of the 20122 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. The Committee acknowledges the currency risks differs between asset classes and as such adapts its approach accordingly. As capital preservation is fundamental for credit related assets the Fund hedges 100% of relevant assets however; recognising the long term nature of equity investing and market value volatility the long term view is that equity holdings will not be hedged. However; due to the increased risk of sterling volatility due to Brexit the Committee have agreed for its Equity and Real Asset investments they will hedge 50% of its currency exposure and/or invest in a sterling share class Details of the Fund's approach to managing ESG risks is set out later in this document.

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 structure and basis on which the London CIV operates is correct as at March 2020.

Assets to be invested in the CIV

52. The Fund's intention is to invest its assets through the London CIV whenever there is a suitable product that meets its requirements The Fund will transition liquid assets into the London CIV when there are suitable investment strategies that meet the asset allocation and investment strategy

available on the London CIV platform. They key criteria for assessment of the CIV solutions will be as follows:

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 31/12/19	Benchmark and performance objective
Global Equity	Longview	14.6	MSCI World Unhedged (Total Return) + 2%
Global Equity	Baillie Gifford	11.3	MSCI World All Countries Unhedged (Gross Dividend Re-invested) + 2%
Diversified Growth Fund	Baillie Gifford	3.1	Base Rate +3.5% PA
Multi-asset Credit	CQS	2.3	LIBOR + 4%

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

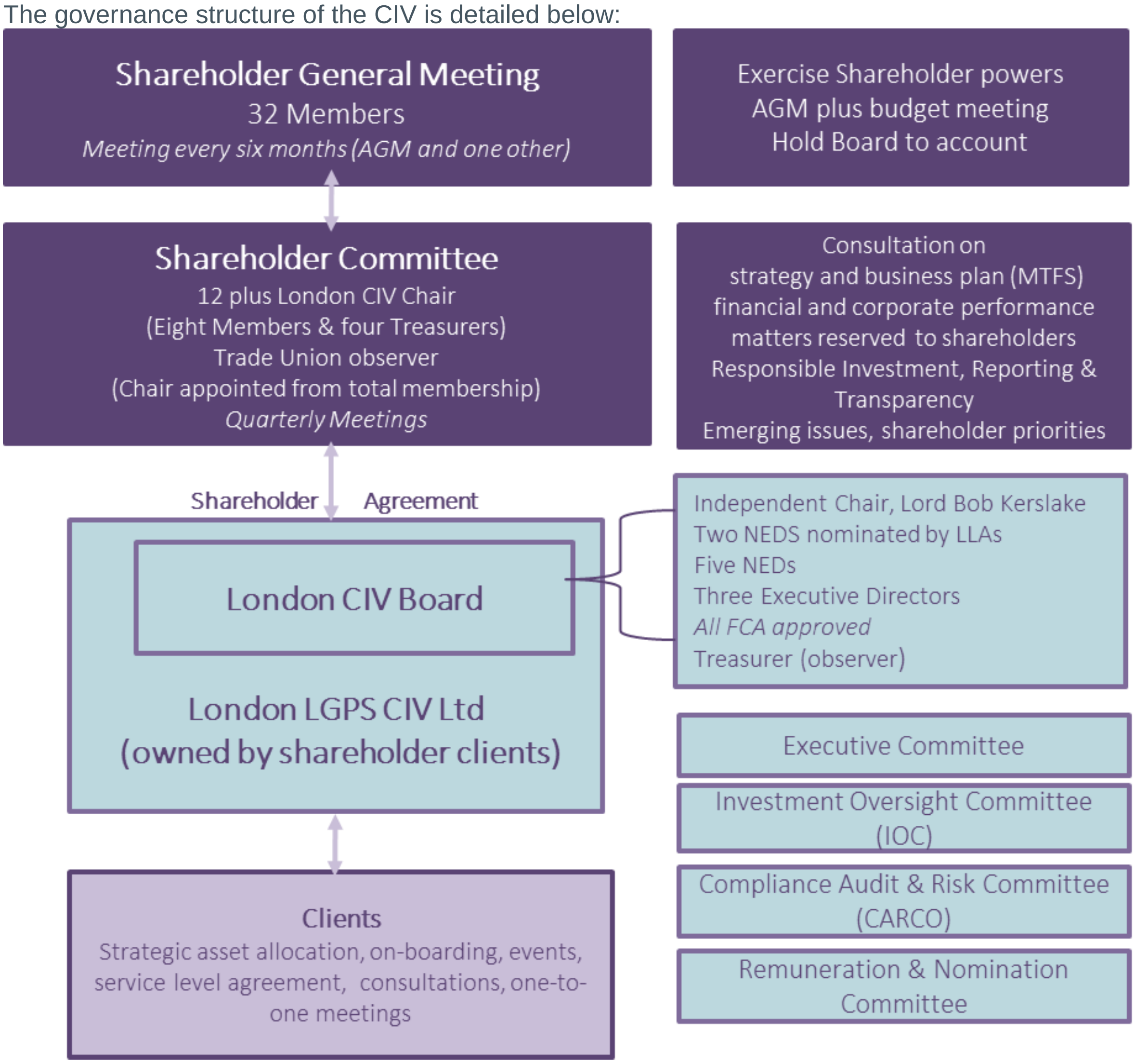
Asset class	Manager	% of Fund assets as at 31/12/16	Benchmark and performance objectives	Reason for not investing via the XYZ Pool
Passive / Enhanced Index – Multi Asset	UBS and Legal and General,	31.2	FTSE / iBoxx indices (various) [+0.55% Enhanced Index]	Not value for money to transfer/no equivalent mandate on CIV
Fixed Income	Allianz, Janus Henderson	11.0	: IBOXX All Stocks Corporate Bonds, FTSE Actuaries Govt Securities Index – Linked > 5 years + 1.5%;	No sterling denominated fixed Income mandate currently on CIV platform
UK Equity	River & Mercantile	8.2	FTSE All-Share Index (Total Return) + 2%	Currently evaluating UK equity options
Multi-asset Credit	Oak Hill, CQS	7.0	LIBOR + 4%	Diversification/Seed capital for Private Debt

Property	Legal & General, Henderson, CCLA, and Schroder	4.2	AREF / IPD All Balanced Property Fund Index Weighted Average + 1%	Not value for money to transfer/no equivalent mandate on CIV
Private Debt	Brightwood, Churchill and Permira	1.8	LIBOR + 4%	No Private Debt Fund/Illiquid Mandate
Infrastructure	JP Morgan, Pantheon	4.2	6% total return	Illiquid Mandates

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 governance structure of the CIV is detailed below:



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

60. 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

61. 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.

62. 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.

63. 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.

64. 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..

65. 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.

66. 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.

67. 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.

68. 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

69. 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.

70. 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.

71. 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

72. 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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