WANDSWORTH BOROUGH COUNCIL PENSION FUND

PENSION FUND ANNUAL REPORT 2020/21

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 2021.

On the investment side of the Fund the year 2020/21 marked a strong recovery from the impact of the COVID-19 pandemic experienced in the final quarter of the previous year, especially in certain asset classes such a global equity, led by a 40% return in the US market. In addition, the Fund's currency hedging programme provided valuable protection against the increasing strength of sterling over the 12-month period. The net result of the above was the Fund returned 27.5% for the year to 31 March 2021, against an average for the LGPS (as measured by Pensions & Investment Research Consultants Ltd (PIRC)) of 22.8%. This has recovered ground lost prior to 2020/21 and brings the 5-year return back to well above the average for the peer group. The Joint Pensions Committee carried out a review of the Fund's long-term strategy and approach, agreeing a revised benchmark by the end of the calendar year. The changes agreed are covered in more detail elsewhere but resulted by the year end in a substantial re-allocation of global equity in line with the ESG strategy adopted and a commitment of over £100m to the London CIV's new Renewable Infrastructure Fund.

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

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

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

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

Fenella Merry	Councillor Guy Senior
Director of Resources	Chairman of Pensions Committee

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SECTION 1 - MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

Under Regulation 57 of the Local Government Pension Scheme Regulations 2013, the Council is required to provide a Management and Financial Performance Report. Guidance from Communities and Local Government (CLG) states that the report contains details of scheme management and advisors including contact details. The following details are for the year to 31 March 2021.

Fund Management and Advisers

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

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

Joint Pensions Committee (All members have full voting rights)

Councillor Guy Senior - Chairman
Councillor Nancy Baldwin* – Deputy Chairman
Councillor Paul Avon* – Member
Councillor Peter Carpenter – Member
Councillor Ian Craigie* – Member
Councillor James Daley – Member (Opposition Speaker)
Councillor Melanie Hampton – Member
Councillor Rory O'Broin – Member
Councillor Aled Richards-Jones

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

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

The Director of Resources and Assistant Director of Resources (Financial Services) provide access to a Knowledge and Skills toolkit for new members of the Committee and all are required to complete the 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 (accessed via Janus Henderson)

Asset Pool – London LGPS CIV

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

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

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

Investment Advisor
Mercer

Custodian
Northern Trust

AVC Providers

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

Fund Actuary
Barnett Waddingham

Legal Advisors
South London Legal Partnership

Bankers
National Westminster Bank Plc

Auditor
Ernst & Young LLP

Wandsworth Council

Responsible Financial Officer	Fenella Merry
Assistant Director of Resources (Financial Services)	Paul Guilliotti
Scheme Administration - Head of Pensions Shared Service	Martin Doyle
Scheme Investments and Accounting:-	
Head of Pension Fund & Insurance Accounting	Coral Baxter
Pension Fund 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 21-90 approved by the Audit Committee on 15 March 2021. 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	2019/20 Actual	2020/21 Budget	2020/21 Actual	2020/21 Variance from Forecast	
	£'000	£'000	£'000	%	£'000
Contributions receivable					
Monthly receipts					
- Members	15,607	15,700	16,040	2	340
- Employers	46,878	46,900	47,389	1	489
One off receipts					
- Employers strain costs	2,391	1,400	357	-75	-1,043
- Transfers in	8,632	8,100	11,304	40	3,204
TOTAL INCOME	73,508	72,100	75,090	4	2,990
Benefits/Expenses					
Monthly payments					
- Pensions	-67,042	-69,300	-68,371	-1	929
One off payments					
- Retirement lump sums	-11,429	-13,200	-9,020	-32	4,180
- Death lump sums	-1,154	-800	-1,823	128	-1,023
- Transfers out	-18,793	-9,100	-4,850	-47	4,250
TOTAL EXPENDITURE	-98,418	-92,400	-84,064	-9	8,336
Net withdrawal / addition from Dealings with Members per Accounts	-24,910	-20,300	-8,974	-56	11,326

The table shows that in 2020/21 (as in 2019/20) 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 2020/21 is lower than was originally estimated, however, principally due to a lower than estimated level of retirement lump sums being paid.

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. 21-99 on 17 March 2021.

Pension Fund Budget	2021-22	2022-23	2023-24
	£'000	£'000	£'000
Contributions Receivable			
Members	15,760	15,920	16,080
Employers Normal	47,340	47,810	48,290
Employers Additional	1,400	1,410	1,420
Transfers In	8,180	8,260	8,340
Benefits Payable			
Pensions	-69,410	-70,590	-71,790
Retirement Benefit Lump Sums	-8,590	-8,680	-8,770
Death Benefits	-1,150	-1,160	-1,170
Transfers Out	-9,190	-9,280	-9,370
Establishment	-960	-970	-980
Net (Withdrawals) from Dealing with Members	**-16,620**	**-17,280**	**-17,950**
Returns on Investments			
Investment Income	45,760	47,590	49,490
Investment Management Expenses	-9,670	-10,060	-10,460
Custody	-60	-60	-60
Consultancy / Other	-160	-210	-160
Total	**19,250**	**19,980**	**20,860**

Contribution Amounts due to the Fund from Employers and Employees

The following table provides details of the total amounts due for the period April 2020 to March 2021 for employers, basic and additional members' contributions.

Employer	Establishment	Pensionable Pay	Contributions Received		
			Employee's	Employer's	Total
		£000's	£000's	£000's	£000's
Wandsworth Council					
(In-House Payroll)	Wandsworth Council	29608	2122	6359	8481
	SSA	118470	8546	21329	29875
(Schools with External Payroll Providers)	Albemarle School	538	32	97	129
	Honeywell Infant School	477	27	86	113
	Honeywell Junior School	404	23	73	96
Scheduled Bodies					
	Alton Academy	492	30	92	122
Academy 01/09/2018	Ark John Archer	323	19	61	80
	Ashcroft Technology College	1744	115	331	446
	Belleville School	1027	65	195	260
	Bolingbroke ARK	742	46	140	186
	Burntwood Academy	1292	92	270	362
	Chesterton Academy	527	34	101	135
	Chestnut Grove	959	63	198	261
	Floreat Academy	267	16	51	67
Academy 01/09/2018	Franciscan School	420	24	79	103
	Graveney School	2311	154	435	589
Academy 01/01/2019	Goldfinch School	312	20	68	88
	Griffin School	122	8	26	34
	Harris Academy Battersea	699	43	136	179
Academy 01/09/2018	Linden Lodge	2725	169	521	690
	Mosaic SLJPS	270	17	55	72

	Nightingale School	738	49	141	190
	Oasis Putney	246	16	50	66
	Putney ARK	1017	65	193	258
Academy 01/02/2021	Ravenstone School	77	4	14	18
	Southfields Academy	1769	115	339	454
	St Cecilia's C of E School	809	52	154	206
	Tooting Primary School	410	24	78	102
	Westbridge Primary School	187	12	39	51
	Belleville Wix Academy	312	20	65	85
New Contract 01/08/2019	Wandle Learning Trust	327	27	73	100
Admitted Bodies					
	CCTV - NSL Ltd	50	4	12	16
	CT Plus	634	37	172	209
New Contract 01/04/2020	Enable	1384	89	250	339
	Greenwich Leisure Ltd	1194	79	263	342
	One Trust	990	64	230	294
New Contract 01/05/2020	Wandsworth Music Service	241	17	51	68
Total Wandsworth		**174114**	**12339**	**32827**	**45166**

Employer	**Establishment**	**Pensionable Pay**	**Contributions Received**		
			Employee's	**Employer's**	**Total**
		£000's	**£000's**	**£000's**	**£000's**
Richmond Council[1]					
(In-House Payroll)	Richmond Council	13782	840	4675	5515
(Schools with External Payroll Providers)	Barnes School	665	42	162	204
	Christs School	884	56	216	272
	Collis School	821	48	201	249
	Hampton Wick School	482	26	118	144
	Hampton Infant & Nursery School	393	22	98	120

	Hampton Junior School	415	24	101	125
	Kew Riverside School	169	10	41	51
	Orleans Infants	513	30	125	155
	Queens School	404	23	98	121
	St Edmunds School	447	26	109	135
	St James School	530	31	129	160
	St John the Baptist School	334	20	81	101
	St Marys & St Peters School	694	41	169	210
	Stanley School	935	54	228	282
	Vineyard School	671	38	164	202
Scheduled Bodies					
	Achieving for Children	17597	1199	3341	4540
New Free School 01/09/2019	Capella House (Auriga)	123	8	22	30
	Clarendon (Auriga)	812	47	187	234
	Greycourt	1271	81	234	315
	Hampton High	664	47	148	195
	Nelson Academy	465	27	100	127
	Orleans Park	994	61	217	278
	Richmond Upon Thames College	2277	145	736	881
	Richmond Upon Thames School	488	32	99	131
	Richmond Park Academy	572	35	97	132
	Strathmore (Auriga)	1175	68	240	308
	St Marys Hampton School	195	12	35	47
	Teddington School	714	45	149	194
	Thomson House School	321	20	56	76
	Turing House School	491	30	108	138
	Twickenham Primary (Academy)	243	14	63	77

	Twickenham School	632	38	131	169
	Waldegrave	1177	75	263	338
Admitted Bodies					
	Hampton School	530	37	118	155
	RAHCC (Prev. RACC)	1560	101	396	497
	Institute of Revenues, Rating and Valuation	393	30	137	167
	Lifeways	144	10	28	38
	Notting Hill Genesis	16	1	37	38
Ceased	Richmond Housing Partnership	0	0	42	42
	Richmond Music Trust	118	8	28	36
	South West Middlesex Crematorium Board	337	24	88	112
	St Mary's University	2009	141	650	791
	Support for Living	403	28	76	104
New Employer 2017	YMCA	65	4	13	17
Total Richmond		**57925**	**3699**	**14554**	**18253**
Final Total		**232039**	**16038**	**47381**	**63419**

The Director of Resources is authorised to decide whether to levy interest in any case where contributions are received late. During the 2020/21-year one employer submitted contributions late twice and five employers 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 was one new academy and one new admission body that commenced in this reporting year and two admission bodies that ceased in the previous reporting year. The table gives a breakdown of the type of employer within the Fund and whether the employer is active (employs contributing active members) or ceased (no active members but with some outstanding pension liability).

	Active	Ceased	Total
Scheduled body	49	0	49
Admitted body	15	34	49
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	**2018/19**	**2019/20**	**2020/21**
Invoices raised	£43,456	£45,506	£47,846
Written-off	£2,845	£2,536	£4,213

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

Administrative Costs

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

The pension fund net asset statement, fund account and notes to the accounts are audited by Ernst & Young (EY). EY's 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
2019/20	552	112	64	21	749
2020/21	510	158	64	16	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 2020/21 including those costs which are not chargeable to the Pensions Fund are shown below.

2020/21	Original Budget £'s	Revised Budget £'s	Actual £'s	Variance £'s
Staffing Costs	1,325,900	1,325,900	1,383,091	57,191
Central and Technical Support	559,900	559,900	514,029	-45,871
Other Supplies and Services	227,200	227,200	601,764	374,564
Costs recovered from Shared Service partners	-955,000	-955,000	-1,490,574	-535,574
Other external income	-110,000	-110,000	-174,168	-64,168
Net expenditure	1,048,000	1,048,000	834,142	-213,858
Charge to Council - Employer Duties	-371,000	-371,000	-324,173	46,827
Charge to Pension Fund	-625,500	-625,500	-509,970	115,530

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

Further detail of the actual expenditure for 2020/21 is given in the table below.

2020/21 Expenditure	Description	Totals £'s
Staffing	Salaries	1,084,188
	National Insurance	108,920
	Employer Pension	187,144
	Redundancy costs	10,396
	Training/Advertising/Travel	2,844
Central & Technical Support	Central Services Recharge	188,100
	Payroll	219,174
Other Supplies & Services	Printing/Stationery	39,744
	Postage	19,480
	IT & Telecoms	494,167
	Legal & Contracts	4,635
	General (fares/equipment)	33,723
	Total Expenditure	**2,392,515**

Management Expenses

The Pension Fund paid £8.888m in management expenses in 2020/21. This was an increase of £0.509m (6%) compared with the amount for the fund in 2019/20.

Type of Fee	2019/20 Actual £000	2020/21 Budget £000	2020/21 Actual £000	2020/21 Variance %	£000
Investment Management Expenses					
River and Mercantile	295	400	282	-30%	-118
Longview (LGPS CIV)	1,738	1,800	1,728	-4%	-72
Baillie Gifford (LGPS CIV)	1,024	1,500	1,263	-16%	-237
Allianz (ex-Rogge)	263	300	281	-6%	-19
UBSGAM Passive	43	40	42	5%	2
CQS (LGPS CIV & Direct)	790	900	787	-13%	-113
Oakhill	780	800	990	24%	190
Baillie Gifford DGF (LGPS CIV)	341	0	6	100%	6
Aberdeen	10	10	10	0%	0
CCLA	28	30	26	-13%	-4
Janus Henderson	504	400	443	11%	43
L&G	161	200	186	-7%	-14
Schroders	315	300	310	3%	10
Russell	103	100	107	7%	7
JP Morgan	307	600	544	-9%	-56
Pantheon	463	400	417	4%	17
Brightwood	57	100	114	14%	14
Churchill	115	300	234	-22%	-66
Permira	35	200	136	-32%	-64
Other LCIV fees	115	100	110	10%	10
	7,487	**8,480**	**8,016**	**26%**	**-464**
Custody / Transaction Costs					
Northern Trust	50	35	60	71%	25
Transaction Costs	842	820	812	-1%	-8
	892	**855**	**872**	**70%**	**17**
Total Investment Costs	**8,379**	**9,335**	**8,888**	**97%**	**-447**
Oversight & Governance Costs	**177**	**150**	**220**	47%	70
Administration Costs	**946**	**874**	**733**	-16%	-141
Grand Total	**9,502**	**10,359**	**9,841**	**127%**	**-518**

Post Pool Reporting	2019/20 Actual £000	2020/21 Actual £000
Analysis of Investment Management Expenses		
Pooled (Management Fees)	3,358	3,294
Non-Pooled	4,039	4,612
Fixed Pooled Costs	90	110
	7,487	**8,016**

Pooling Set-Up Costs*

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

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

Unit costs per member including investment management

	2019/20	2020/21
Pension Fund Costs	£946,351	£732,970
Investment Management Costs	£8,379,000	£8,888,062
Total	£9,325,351	£9,621,032
Membership	39,827	40,862
Cost per member inc. Investment Cost	£234.15	£235.45
Cost per member exc. Investment Cost	£23.76	£17.94

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	2019/20 Achieved	2020/21 Achieved	Target
New Scheme Member	99.69%	99.84%	95.00%
Transfers In	96.46%	91.39%	95.00%
Early Leavers	100.00%	98.94%	95.00%
Transfers Out	94.80%	84.36%	95.00%
Refunds	100.00%	100.00%	95.00%
Pension Sharing on Divorce	93.02%	100.00%	98.00%
Retirements	98.82%	95.02%	98.00%
Deceased member	96.67%	95.99%	98.00%

Performance in 2020-21 (in particular Q1) was affected as the Pension Shared Service had to adapt its processes and move to remote working in response to the pandemic. In a short space of time, staff were set up with equipment to work remotely ensuring that the Pensions Shared Service remained fully operational and undertook a significant majority of the tasks that it usually would.

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.

	16/17	**17/18**	**18/19**	**19/20**	**20/21**
Very Satisfied	62%	67%	72%	67%	69%
Satisfied	34%	29%	28%	29%	23%
Not satisfied	4%	4%	0%	4%	8%

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	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
System Error	0	0	1	0	0
Staff Error	12	3	2	1	1
Staff Attitude	0	1	0	0	0
Beyond Service Delivery Standards	0	1	5	1	1
Policy/Service Delivery changes	1	1	0	0	0
Not the Lead Authority	0	0	0	0	0
Total	**13**	**6**	**8**	**2**	**2**
Total as % of Workload	**0.24%**	**0.12%**	**0.10%**	**0.03%**	**0.03%**

Membership Numbers and Trends

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

% Diff from previous year **Membership**	**18/19**	**19/20**	**% Diff 18/19 vs 19/20**	**20/21**	**% Diff 19/20 vs 20/21**
No' of Contributors	10,478	11,209	6.98%	11,475	2.37%
No' of Pensioners	8,664	9,044	4.39%	9,284	2.65%
No' of Dependants	1,361	1,370	0.66%	1,436	5.51%
No' of Deferred*	17,357	18,204	4.88%	18,667	2.54%
Total Membership	**37,860**	**39,827**	**5.20%**	**40,862**	**2.60%**

* 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	**19/20**	**20/21**
Ill Health Retirement (Total)	15	9
Tier 1	11	4
Tier 2	0	1
Tier 3	1	3
From Deferred	3	1
Redundancy	44	24
Flexible	7	8
Voluntary at Normal Pension Age (NPA)	351	251
Voluntary before NPA	149	122
Late	58	49
Total	**624**	**463**

- 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 2021 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				5
10-15				15
15-20	105	42		35
20-25	606	381		22
25-30	971	1,246		8
30-35	1,034	1,956		2
35-40	1,197	2,234		2
40-45	1,342	2,285	1	4
45-50	1,422	2,426	5	15
50-55	1,710	3,028	19	27
55-60	1,662	3,041	302	44
60-65	1,048	1,396	1,513	82
65-70	290	398	2,119	125
70-75	88	144	2,172	184
75-80			1,396	198
80-85			930	228
85-90			534	239
90-95			220	146
95-100			64	49
100-105			8	3
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).

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 2021 no new fund managers were funded with money 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. The second remaining tranche of the LCIV Diversified Growth Fund (managed by Baillie Gifford) was redeemed in April 2020. In addition, as a result of the revised investment strategy and approach agreed by the Committee in December 2020, the following changes were made.

- In March, the Fund's passive global developed equity holding via LGIM was transferred into the same manager's ESG-tilted Future World global equity fund vehicle (and in May 2021 the passive UK equity holding was similarly transferred).
- Also in March, the Fund committed £110m to the LCIV's newly-launched Renewable Infrastructure Fund, the funding for which commenced early in 2021/22

Monitoring of Managers

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

Asset Allocation

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

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

Global Equity	55.00%
MAC	10.00%
Property	6.00%
Infrastructure Equity	10.00%
Private Debt	8.00%

Corporate Bonds	10.00%
Cash	1.00%

The revised target is in the course of implementation during 2021/22. However, because (with the exception of the global equity switch noted above) the asset transition had not commenced during 2020/2, the table below shows the fund's asset allocation target at 31 March 2021, as compared to the pre-existing allocation target at that point. Also included is the previous year end's position based on the same target allocation.

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

Note: above excludes (non-investment) current assets / liabilities and shares in the CIV operating company.
* The Fund is currently transitioning to new asset allocation limits as approved in the revised Investment Strategy Statement approved by Committee in December 2020. The Committee agreed that cash levels may exceed the upper limit in the short term while new investments are in the draw down phase and to assist in transitioning to the new asset allocations. Disposal of assets is being phased to reduce price risk and UK Equities and Index Linked Gilts remain in the portfolio pending these sales.

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.

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 2021 (Annualised)	1 Year %	3 Years %	5 Years %	10 Years %	20 Years %	30 Years %
Local Authority Average	22.8	7.6	9.5	8.3	6.9	8.4
Local Authority Median	24.5	7.9	9.3	8.2	6.7	8.3
LB Wandsworth*	27.5	7.6	9.8	8.9	7.2	8.8
Ranking	**30**	**64**	**35**	**17**	**17**	**25**

Source: PIRC
*Incorporating LB Richmond's historical returns

Over the longest period measured (30 years) the record of the combined fund is ranked at 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 2021

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	+22.2	+26.7	-4.5	+2.0
UBS	UK Equity & IL Passive	+25.4	+25.2	+0.2	-
Baillie Gifford (LCIV)	Global Equity	+56.3	+39.6	+16.7	+2.0
Longview (LCIV)	Global Equity	+35.9	+39.1	-3.2	+2.0
Janus Henderson	UK Corporate Bonds	+7.8	+7.0	+0.8	+0.6
L&G	Multi-Asset Passive	+32.9	+32.9	0.0	-
Allianz [Ex-Rogge]	Multi-Asset Bonds	+10.2	+8.6	+1.6	+1.5
CQS (LCIV & Direct)	Multi-Asset Credit	+25.0	+4.2	+20.8	-
Oak Hill	Multi-Asset Credit	+22.2	+4.2	+18.0	-
CCLA / LAMIT	Property	+3.7	+2.5	+1.2	+1.0
Nuveen (via JH)	Property	+4.5	+2.5	+2.0	+1.0
L&G	Property	+2.2	+2.5	-0.3	+1.0
Schroders	Property	+4.5	+2.5	+2.0	+1.0

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

In the most recent year, of the 13 mandates (or sub-mandates) separately reported nine outperformed the benchmark index of which six also exceeded (or equalled) any additional performance target. Three mandates under-performed the index and one – a passive mandate – equalled it.

3 Years ending 31st March 2021

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	+3.4	+3.2	+0.2	+2.0
UBS	UK Equity & IL Passive	+3.4	+3.4	0.0	-
Baillie Gifford (LCIV)	Global Equity	+18.7	+13.3	+5.4	+2.0
Longview (LCIV)	Global Equity	+11.5	+14.1	-2.6	+2.0
Janus Henderson	UK Corporate Bonds	+6.2	+5.8	+0.4	+0.6
L&G	Multi-Asset Passive	+9.8	+9.7	+0.1	-
Allianz [Ex-Rogge]	Multi-Asset Bonds	+4.9	+4.4	+0.5	+1.5
CQS (LCIV & Direct)	Multi-Asset Credit	+3.1	+4.6	-1.5	-
Oak Hill	Multi-Asset Credit	+3.6	+4.6	-1.0	-
CCLA / LAMIT	Property	+3.4	+2.4	+1.0	+1.0
Nuveen (via JH)	Property	+3.5	+2.4	+1.1	+1.0
L&G	Property	+1.9	+2.4	-0.5	+1.0
Schroders	Property	+3.1	+2.4	+0.7	+1.0

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

Of the 13 mandates (or sub-mandates) separately reported that have been operating for 3 years or more eight outperformed the benchmark index of which four also exceeded – or equalled – any additional performance target. Four 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 [prior to swich to Future World global]	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*	-
Allianz (formerly Rogge)	Multi-Asset Bonds	80% IBOXX All Stocks Corporate Bonds, 20% FTSE Actuaries Govt Securities Index – Linked > 5 years	+1.5
CQS	Multi-Asset Credit	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 34 FTE staff working across two teams dealing with all aspects of pensions administration except investments. The work of each team is set out below:

Data and Communications

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

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

Benefits

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

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

Review of 2020/21

9. Since March 2020, responding to the Government's guidance regarding the coronavirus pandemic, the Pension Shared Service adapted its processes and closed its office to visitors. The majority of staff work continue to work remotely ensuring that the Pensions Shared Service remains fully operational and undertakes a significant majority of the tasks that it usually would. This includes critical processes including the payment of member benefits, retirement processing and bereavement services.

10. The safety and wellbeing of staff and everyone who accesses its services remains the priority and the Pension Shared Service will follow Government advice on re-opening their offices.

11. Despite the coronavirus pandemic, the PSS continued to undertake work outside of its normal case work to strengthen the service for the future. Work is ongoing for the following:

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

    b) Member Self Service (MSS) – rollout began with new starters in September and since then all active and deferred members have been sent activation keys. The expectation is that this online portal will become the default method of Pensions Shared Service communication with members and improvement in customer service and information exchange is expected.

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

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

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

       84% of Wandsworth Pension Fund active scheme members have their records updated monthly through i-Connect.

Dispute Resolution

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

IDRP - Number of appeals	**19/20**	**20/21**
In progress at start of year	0	0
New appeals during the year	0	0
In progress at end of year	0	0

IDRP	**19/20**			**20/21**		
	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

2020/21

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 2021

Introduction

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

Asset value and funding level

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

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

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

Contribution rates

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

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

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

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

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

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

Assumptions

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

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

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

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were slightly more than where they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

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

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

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

Overall position

On balance, we estimate that the funding position is at a similar level when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate.

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

We will continue to monitor the funding level and consider the appropriateness of the assumptions used in our funding model.

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 2019/20 and 2020/21 were £2,391,543 and 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 19/20	Number in 20/21
Ill Health from active	12	8
Redundancy	41	23
Efficiency of the Service	3	1
Compassionate Retirement	0	0
Total	**56**	**32**
Total Capitalised Payments	**£2,391,543**	**£357,107**

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: -

(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.

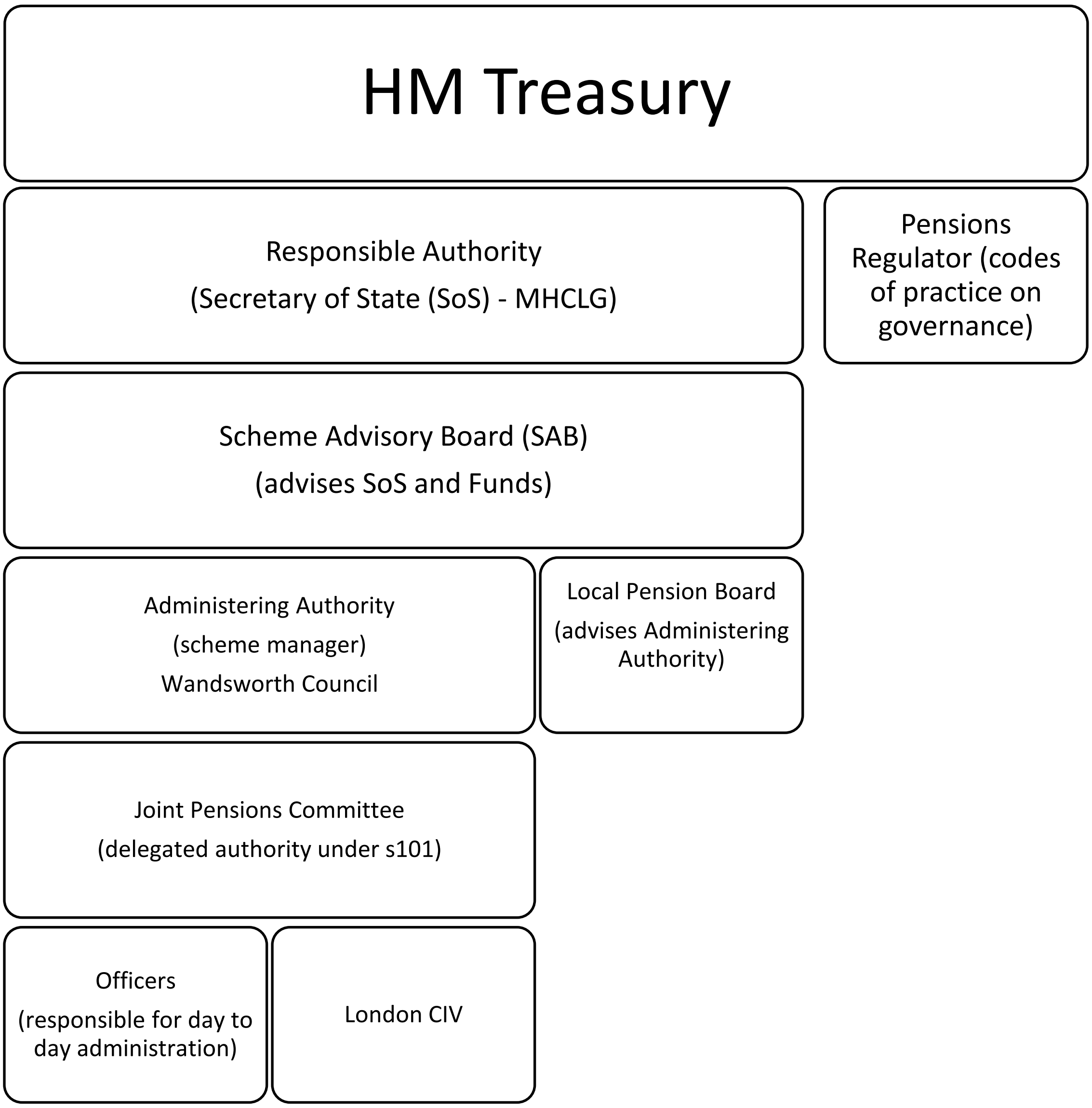
(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

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

Governance for the Wandsworth Pension Fund

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

3. The following illustration shows the relationship between these bodies:
   (i) HM Treasury - has oversight over the government departments that sponsor public sector pension schemes and apply the cost control mechanism;
   (ii) Ministry of Housing, Communities & Local Government (MHCLG) – in consultation with HM Treasury develops new LGPS legislation with advice from the Scheme Advisory Board (SAB);
   (iii) The Pensions Regulator – ensures that statutory objectives are met by administering authorities and employers and seeks to improve scheme administration;
   (iv) The administering authority (known under the Local Government Pension Scheme Regulations 2013 as the “scheme manager”) – is Wandsworth Council. Sections 101 and 102 of the Local Government Act 1972 allows administering authorities to delegate decision making to a pensions committee;
   (v) The Local Pension Board – makes recommendations to the administering authority when requested in order to improve administration or governance of the fund.



London CIV

4. The London CIV (LCIV) was formed as by the 33 London Boroughs in 2014 to pool their LGPS investments. It received regulatory authorisation from the Financial Conduct Authority in November 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation as an Authorised Contractual Scheme (ACS) Fund.
The governance structure of the LCIV has been designed to ensure that there are both formal and informal routes to engage with the investing Funds both as shareholders and investors, making the LCIV accountable at both levels. Governance is achieved through the Sectoral Joint Committee, comprising nominated Member representatives from each investing Fund within the pool. In addition there is an Investment Advisory Committee ("IAC") formed of nominated officers from the investing Boroughs.

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

Joint Pensions Committee

5. The detail of the governance structure for the Council is set out in detail in the Council's Constitution, which is available here: https://democracy.wandsworth.gov.uk/documents/s75908/PART%201%20-%20Summary%20and%20Explanation.pdf
The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure efficient and transparent decision making which is accountable to local people.

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

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

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

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

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

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

Local Pension Board

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

11. The frequency of Board meetings is three meetings per year.

Compliance with statutory guidance

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

Review of statement

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

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

GOVERNANCE COMPLIANCE STATEMENT

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

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

iii. where appropriate, independent professional observers, and iv. expert advisors (on an ad-hoc basis).	members are Pension Board members, rather than members of the Joint Pensions Committee . Additionally the Council's Constitution allows citizens or other interested bodies the right to request the Council and certain of the Council's committees and subcommittees to receive deputations from persons wishing to address councillors on agenda business to be discussed.	
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	N/A	N/A
SELECTION AND ROLE		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	As set out in terms of reference of the Joint Pensions Committee.	Compliant
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	This is a standing item on the Joint Pensions Committee agenda.	Compliant
VOTING		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	As set out in terms of reference of the Joint Pensions Committee.	Compliant
TRAINING/FACILITY TIME/EXPENSES		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in	This falls within the Council's normal approach to member expenses. Members are given initial and ongoing training to	Compliant

respect of members involved in the decision-making process.	support them in their role as trustees.	
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	The policy applies equally to all members. All members enjoy voting rights.	Compliant
MEETINGS (FREQUENCY/QUORUM)		
That an administering authority's main committee or committees meet at least quarterly.	As set out in terms of reference of the Joint Pensions Committee.	Compliant
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	There is no secondary committee. All Pension Fund matters are considered by the Joint Pensions Committee and Local Pension Board.	N/A
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Lay members are represented on the Pensions Board	Compliant
ACCESS		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members have equal access to committee papers, documents and advice.	Compliant
SCOPE		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	As set out in terms of reference of the Joint Pensions Committee and Local Pension Board.	Compliant
PUBLICITY		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	All meeting minutes, reports and Pension Fund policies are published on the Council's website. There is also a vacancies page for the Local Pension Board on the Pensions Shared Service website.	Compliant

Commentary on Governance Activity

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

In 2020/21 the Committee held four conventional quarterly meetings on 2 June 2020, 16 September 2020, 9 December 2020 and 17 March 2021. In addition, two further meetings were held to progress the Fund’s asset allocation review, carried out during the year. All of the above meetings were conducted “virtually” due to Covid-19 restrictions.

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.

2 June 2020 at 6.00 p.m.

Paper No. 20-154 presented the Audit Plan for the 2019/20 Pension Fund Accounts.

Paper No. 20-155 presented the Pension Fund Revenue Budget for 2020/21.

Paper No. 20-156 presented the Fund’s Pension Administration Strategy.

Paper No. 20-157 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 20-158 introduced the Fund’s asset allocation review, to be conducted over subsequent meetings.

Paper No. 20-159 presented the minutes from the Local Pension Board’s meeting held on 11 February 2020.

29 July 2020 at 7.00 p.m.

Paper No. 20-236 (exempt) presented further options relating to the Fund’s ongoing asset allocation review.

16 September 2020 at 7.45 p.m.

Paper No. 20/275 presented the Fund’s 2019/20 Accounts and associated Audit Report.

Paper No. 20-273 presented the Pension Fund Annual Report for 2019/20.

Paper No. 20-274 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 20-276 (partially exempt) concerned “General Matters” comprising: progress with regard to the Fund’s ongoing asset allocation review and the proposal review the Fund’s contract for investment advice services.

Paper No 20-277 (partially exempt) concerned climate modelling with specific relevance to the Fund’s ongoing asset allocation review and the furtherance of the review itself.

9 December 2020 at 7.45 p.m.

Paper No. 20-391 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 20-393 concerned the adoption of a revised Climate Policy within the Fund’s Investment Strategy Statement.

Paper No. 20-392 concerned options relating to the implementation of the Fund’s revised asset allocation.

Paper No. 20-394 presented the minutes from the Local Pension Board’s meeting held on 12 October 2020.

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

29 January 2021 at 7.00 p.m.

Paper No. 21-25 (exempt) concerned presentations from global equity managers being considered as part of the implementation of the Fund’s revised asset allocation.

17 March 2021 at 7.00 p.m.

Paper No. 21-98 presented the Audit Plan for the 2020/21 Pension Fund Accounts.

Paper No. 21-99 presented the Pension Fund Revenue Budget for 2020-24 and the Fund’s proposed approach to cash management.

Paper No. 21-100 concerned pension fund investment performance and aggregate Fund value / asset allocation.

Paper No. 21-101 presented the minutes from the Local Pension Board’s meeting held on 9 February 2021.

Paper No. 21-102 (exempt) concerned a presentation by LCIV of the Renewable Infrastructure Fund.

Paper No. 21-103 (exempt) concerned a presentation the Fund’s investment advisor regarding the construction of the Equity allocation of the Pension Fund.

Paper no 21-104 (exempt) concerned the interview of candidates for appointment as the Fund’s investment advisor.

Local Pension Board

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

The Board now meets three times annually however in in 2020/21 due to the impact of Covid-19 restrictions met on two occasions: 12 October 2020 and 9 February 2021. 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

Fenella Merry Director of Resources	Councillor Guy Senior Chairman of Joint Pensions Committee

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

The external audit of the draft statement of accounts for the year ended 31 March 2021 has not yet been completed by our external auditors, EY LLP, due to the audit of the financial statement remaining ongoing while auditors are finalising their audit procedures. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made). Therefore this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2020/21 final statement of accounts in line with deadline of 30th September 2021, as per paragraph (1). The Joint Pensions Committee considered the provisional results of the 2020/21 audit at its meeting on 7th September 2021, and approved the accounts subject to the final audit opinion confirming no material issues. We will publish the final audited accounts on receipt of the final opinion from EY LLP.

A letter from Ernst & Young further explaining the delay is published on the Wandsworth Council website :
https://www.wandsworth.gov.uk/media/9582/wbc_audit_letter_september_2021.pdf

Wandsworth Fund Account

2019/20 £000		Note	2020/21 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(64,876)	Contributions receivable	Note 8	(63,786)
(8,632)	Transfers In from Other Pension Funds	Note 9	(11,304)
(73,508)			(75,090)
79,625	Benefits payable	Note 10	79,214
18,793	Payments to and on account of Leavers	Note 11	4,850
98,418			84,064
24,910	**Net (Additions)/Withdrawals from Dealings with Members**		**8,974**
9,338	Management Expenses	Note 12	9,841
34,248	**Net (Additions)/Withdrawals including Fund Management Expenses**		**18,815**
	Returns on Investments		
(39,732)	Investment income	Note 13	(44,803)
227	Taxes on income	Note 13	216
228,204	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	Note 16	(556,313)
188,699	**Net Returns on Investments**		**(600,900)**
222,947	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(582,085)**
(2,386,683)	Opening Net Assets of the Fund		(2,163,736)
(2,163,736)	**Closing Net Assets of the Fund**		**(2,745,821)**

Net Assets Statement

31st March 2020 £000		*Note*	31st March 2021 £000
	Investment Assets		
2,139,844	- Investment Assets		2,639,376
48,672	- Cash Deposits with FM		105,288
(29,802)	Investment Liabilities		(6,932)
2,158,714	**Total Net Investments**	Note 15	2,737,732
	Long term Assets		
300	- CIV Long Term Capital (Founders' Shares)		300
985	- Long Term Debtor	Note 29	1,103
2,159,999	**Total Long Term Assets**		2,739,135
	Current Assets		
3,746	- Cash Deposits with Bank	Note 30	1,663
2,545	- Current Assets (excl. bank)	Note 30	8,094
6,291			9,757
(2,554)	Current Liabilities	Note 30	(3,071)
(2,554)			(3,071)
2,163,736	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**2,745,821**

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

Notes to the Wandsworth Pension Fund Accounts

Note 1 Description of the Fund

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

a) General

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

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

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

b) Membership

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

Organisations participating in the Wandsworth Pension Fund include the following:

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

Membership details are set out below:

31st March 2020		31st March 2021
63	**Number of Employers with Active Members**	**68**
	Number of Employees in the Fund	
8,312	Councils (LBRuT & WBC)	8,456
2,897	Other Employers	3,019
11,209	**Total**	**11,475**
	Number of Pensioners (including dependants)	
9,359	Councils (LBRuT & WBC)	9,594
1,055	Other Employers	1,126
10,414	**Total**	**10,720**
	Number of Deferred Pensioners	
15,188	Councils (LBRuT & WBC)	15,364
3,016	Other Employers	3,303
18,204	**Total**	**18,667**
39,827	**Total Number of Members in the Fund**	**40,862**

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 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. The employer contribution rates that applied in the 2020/21 year ranged from 16.1% to 32.0% of pensionable pay with an overall Fund primary rate of 19.6%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is 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 – see www.lgpsmember.org

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis (see Note 3)

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

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

Note 3 Going Concern

The accounts have been prepared on a going concern basis. The Wandsworth Pension Fund remains a statutory open scheme, with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events. 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 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 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 and Note 28 gives a summary.

The Fund's performance report to Joint Pensions Committee on 10th June 2021 reported asset values of £2.7bn 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 annual return to 31st March 2021 reported to June Committee was +27.5% (the Fund's benchmark was 23.2%), 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 £107m in cash at 31st March 2021 and currently has a 55% asset allocation to equity (£1.8bn at 31st March) which could be liquidated very quickly if needed.

Richmond and Wandsworth councils represented 74% of regular contributions to the Fund during 2020/21, 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 4 Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 31) to purchase scheme benefits are accounted for on a cash receipts basis and are included in Transfers In (Note 9).
Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. Where the agreement sets a date for the transfer, estimated values are

recognised on this date where estimation is possible. Where no date is set, transfers are recognised on a cash basis.

c) Investment income

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Fund discloses its pension fund management expenses (which includes fees charged by the 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 fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown in Note 12 and grossed up to increase the change in value of investments. Fees charged by external investment managers and 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 and River and Mercantile. Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The proportion of the time spent by Council officers on investment management activity is recharged to the Fund.

Net Assets Statement

g) Financial assets

CIV Long Term Capital represents unlisted equity, although as regulatory capital of the CIV, the investment is not repayable on demand. This is not an investment, this equity is held to enable the Fund to participate in CIV's pooling arrangements. Fair value at 31 March 2021 is cost as the shares are not tradable but can be redeemed for face value if the Fund were to withdraw from LCIV. This value includes both Wandsworth and Richmond shares due to the Funds having merged in 2016. Investments accessed via the 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 2021, this value has been amended for calls and distributions since the reporting period as the best estimate of fair value at 31st March 2021, in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

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

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the

Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

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

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

Note 29).

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

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

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

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

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

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

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

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

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

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

Note 5 Critical Judgements in Applying Accounting Policies

Pension fund liability

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

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

Asset Valuations and Covid 19

The Fund accounts include asset valuations at 31st March 2020 which was 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 was the industry-wide approach taken by the Royal Institution of Chartered Surveyors (RICS) independent valuers, who were unable to rely on previous market experience to form an opinion of value. While caveating their valuations in this way, RICS members had given valuations to the best of their ability against this market background. These funds had all re-opened for trading at 31st March 2021.

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 2021, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

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

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

The judgements used in assessing asset values where manager valuations at 31st March 2021 are unavailable and the impact of Covid 19 are detailed in Note 5. These assets are valued at £219.5m (Note 23) and a 1% change in value is £2.2m.

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

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

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible the fund valuer uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £10.6m, on carrying values of £106m.
Infrastructure funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets in similar way to property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £11.6m, on carrying values of £116m.
Private debt funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets which are high yield debt instrument.	Changes in the valuation assumptions used, together with significant changes in credit rating of the counterparties could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £10.3m, on carrying values of £103m.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £65.9m a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £4.9m a one-year increase in assumed life expectancy would increase the liability by approximately £157.3m.

Note 7 Events After the Reporting Date

The figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of any information received post 31 March 2021 which reflect conditions as at the 31 March 2021. None of the information received gave rise to material changes and there no changes have been made.

The value of infrastructure and private debt assets in the accounts is estimated using the manager's valuation of 31st December updated for cash flows from 1st January to 31st March 2021 as manager valuations were not available while preparing the accounts. The managers' valuations at 31st March 2021 were received during audit and showed non-material differences to the estimated values. The accounts have not been amended but differences are reported here :

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

Asset Class	Estimated value 31st March 2020 £m	Manager reported value 31st March 2020 £m	Difference £m
Infrastructure	117.363	114.595	2.768
Private Debt	60.750	58.806	1.944
Total	**178.113**	**173.401**	**4.712**

Global investment markets have been particularly volatile during 2020 and 2021 in response to Brexit, Covid-19 and other significant political and geographical changes. The impact on 31st March 2020 was a dramatic devaluation in certain asset classes in the final quarter of 2019/20. However, the Fund's investments have recovered from this position over the course of the year, giving a significant revaluation gain in year, increasing the investment values from £2.159bn to £2.738bn. The MSCI AC World GDR index had a 1 year return of +39.6% and the FTSE All Share 1 year return was +23.7% during 2020/21, with a large proportion of this being in the first quarter. In the first quarter of 2021/22 MSCI returned 7.4% and FTSE 5.6%.

Note 8 Contributions Receivable

31st March 2020 £000		31st March 2021 £000
(15,607)	**Employees' Contributions**	**(16,040)**
(42,330)	Normal Contributions	(46,652)
(4,548)	Deficit Recovery Contributions	(737)
(2,391)	Augmentation Contributions	(357)
(49,269)	**Employers' Contributions**	**(47,746)**
(64,876)	**Total Contributions by Category**	**(63,786)**
(58,181)	Scheduled Bodies	(56,540)
(2,923)	Admitted Bodies	(2,750)
(3,772)	Designated Bodies	(4,496)
(64,876)	**Total Contributions by Body**	**(63,786)**

2020/21 is the first year using the contribution rates set in the 2019 valuation. The Fund valuation improved in 2019 and therefore deficit contributions have reduced and in some cases employers have negative secondary rates for the 3 years covered by this valuation.

Note 9 Transfers In from Other Pension Funds

31st March 2020 £000		31st March 2021 £000
0	Group Transfers	(6,550)
(8,632)	Individual Transfers	(4,754)
(8,632)		**(11,304)**

Group transfer in 2020/21 includes accrued estimated value for the staff joining Achieving for Children (AfC) from the Royal Borough of Windsor & Maidenhead.

Note 10 Benefits Payable

31st March 2020 £000		31st March 2021 £000
67,042	Pensions	68,371
11,429	Commutation and Lump Sum Retirement Benefits	9,020
1,154	Lump Sum Death Benefits	1,823
79,625	**Total Benefits by Category**	**79,214**
75,948	Scheduled Bodies	74,917
3,039	Admitted Bodies	3,662
638	Designated Bodies	635
79,625	**Total Benefits by Body**	**79,214**

Note 11 Payments To and On Account of Leavers

31st March 2020 £000		31st March 2021 £000
212	Refund to Members Leaving Service	153
9,663	Group Transfers	0
8,918	Individual Transfers	4,697
18,793	**Total Payments to/on account of Leavers**	**4,850**

Note 12 Management Expenses

2019/20 £000		2020/21 £000
	Management Costs	
946	Administrative Costs	733
8,215	Investment Management Expenses	8,888
177	Oversight & Governance Costs	220
9,338	**Total Management Costs**	**9,841**

2019/20 Investment Management Expenses	Total £000	Management Fees £000	Performance Fees £000	Transaction Costs £000
Bonds				
Allianz (ex-Rogge)	263	263		
Equity				
River & Mercantile	1,137	295		842
Pooled Property				
Aberdeen	10	10		
CCLA	27	27		
Janus Henderson	504	504		
Legal & General	113	113		
Schroders	316	316		
Pooled Equity				
LCIV Global Alpha Growth - Baillie Gifford	1,024	1,024		
LCIV Global Equity Focus - Longview	1,738	1,738		
LCIV Legal & General passive overlay	23	23		
UBS	43	43		
Pooled Multi-Asset				
CQS	535	535		
LCIV MAC - CQS	255	255		
LCIV Diversified Growth Fund - Baillie Gifford	341	341		
Legal & General Multi Asset	49	49		
Oakhill	780	717	63	
Pooled Infrastructure				
JP Morgan	307	307		
Pantheon	463	463		
Pooled Private Debt				
Brightwood	57	57		
Churchill	115	115		
Permira	35	35		
Derivatives - Currency Hedging for risk management				
Russell	103	103		
London CIV Fixed Costs	90	90		
Other	(163)	(163)		
Total paid to Fund Managers	**8,165**	**7,260**	**63**	**842**
Custodian - Custody Fees	50			
Total Investment Management Expenses	**8,215**			

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

Transaction costs are only available for segregated investments. All other mandates have reported net of these costs in other areas, usually income.

Note 13 Investment Income

2019/20 £000		2020/21 £000
	Income from	
(11,059)	Equity	(9,253)
(6,335)	Bonds	(6,929)
(9,604)	Pooled Equity	(6,625)
(2,046)	Pooled Bonds	(4,291)
(3,755)	Pooled Property	(3,032)
(5,120)	Pooled Infrastructure	(9,272)
(1,484)	Pooled Private Debt	(5,308)
(329)	Cash Deposits	(93)
(39,732)	**Total Investment Income**	**(44,803)**
	Taxes on Income	
48	Overseas Withholding Tax on Equities	26
179	Overseas Withholding Tax on Pooled Vehicles	190
227	**Total Taxes on Income**	**216**

Property Income

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

Note 14 External Audit Costs

31st March 2020 £000		31st March 2021 £000
27	Payable in respect of external audit	21
(3)	Prior Year Fee Rebate	0
24		**21**

Note 15 Investments

31st March 2020 £000		31st March 2021 £000
	Investment Assets	
156,692	Equities	195,332
199,374	Bonds	219,410
	Pooled Funds	
1,138,955	- Equity	1,529,368
300,044	- Bonds	354,449
104,481	- Property Investments	106,409
117,363	- Infrastructure	115,999
60,750	- Private debt	103,457
	Derivative Contracts	
149	- Futures	295
14,938	- Forward currency contracts	9,803
815	Cash Collateral	0
3,316	Investment Income Due	3,563
42,967	Amounts Receivable for Sales	1,291
0	Amounts Receivable for Pending Spot FX	0
2,139,844	**Other Investment Assets**	**2,639,376**
48,672	Cash Deposits	105,288
2,188,516	**Total Investment Assets**	**2,744,664**
	Investment Liabilities	
	Derivative Contracts	
(413)	- Futures	(2)
(20,238)	- Forward currency contracts	(3,521)
(7,740)	Amounts Payable for Purchases	(3,163)
(1,411)	Other Investment Liabilities	(246)
(29,802)	**Total Investment Liabilities**	**(6,932)**
2,158,714	**Net Investment Assets**	**2,737,732**

Note 16 Reconciliation of Movements in Investments and Derivatives

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**
Equities	188,451	142,188	(138,169)	(35,778)	156,692
Bonds	198,185	106,999	(102,137)	(3,674)	199,373
Pooled Equity	1,470,269	11,052	(205,806)	(136,560)	1,138,955
Pooled Bonds	369,550	135	(45,306)	(24,335)	300,044
Pooled Property	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	**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:					0
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	**2,382,509**			**(227,774)**	**2,158,714**
Other changes in balances recognised in the Fund Account				(429)	
Profit/(Loss) on Disposal of Investment & changes in Market Value				**(228,203)**	

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

Purchases and sales of derivatives are recognised as follows:

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

Note 17 Investments Analysed by Fund Manager

Market Value 31st March 2020 £000	%		Market Value 31st March 2021 £000	%
		Pooled Via London CIV		
289,739	13.4	London LGPS CIV (Longview Global Equity)	393,857	14.4
22	0.0	London LGPS CIV (Allianz Global Equity)	22	0.0
250,495	11.6	London LGPS CIV (Baillie Gifford Global Equity)	389,306	14.2
66,474	3.1	London LGPS CIV (Baillie Gifford DGF)	0	0.0
50,525	2.3	London LGPS CIV CQS (Multi-Asset Credit)	63,286	2.3
657,255		**Pooled total**	**846,471**	
		Direct		
179	0.0	Aberdeen (Property Pooled Vehicle)	26	0.0
33,600	1.6	Northern Trust (Custodian)	95,127	3.5
210,339	9.7	Allianz (Enhanced Bonds)*	232,016	8.5
164,450	7.6	River & Mercantile (UK Equity)*	201,212	7.3
242,783	11.2	UBSGAM (Passive Multi-Asset)	304,548	11.1
60,655	2.8	London LGPS Direct CQS (Multi-Asset Credit)	75,689	2.8
89,653	4.2	Oakhill (Multi-Asset Credit)	104,390	3.8
396,341	18.4	L&G (Passive Multi-Asset & Pooled Property)	522,018	19.1
77,208	3.6	Janus Henderson (Multi-Asset & Pooled Property)	79,242	2.9
4,326	0.2	CCLA / LAMIT (Pooled Property)	4,295	0.2
43,221	2.0	Schroders (Pooled Property)	45,227	1.7
(3,796)	(0.2)	Russell Investments (FX Overlay)*	5,936	0.2
103,614	4.8	JP Morgan Asset Management (Infrastructure)	91,202	3.3
18,498	0.9	Pantheon Ventures (Infrastructure)	26,764	1.0
13,624	0.6	Brightwood (Private Debt)	16,616	0.6
34,860	1.6	Churchill (Private Debt)	47,537	1.7
12,991	0.6	Permira Advisors LLP (Private Debt)	39,304	1.4
(249)	0.0	Russell Investments PCO (Private Debt)	(8)	0.0
(983)	0.0	Russell Investments PCO (Infrastructure)	(9)	0.0
145	0.0	Rogge Collateral Account	130	0.0
1,501,459	**100.0**	**Direct total**	**1,891,262**	**100.0**
2,158,714		**Total Net Investments**	**2,737,733**	
		* 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 2020 £000	% of Fund		Market Value 31st March 2021 £000	% of Fund
289,595	13.4%	London LGPS CIV (Longview Global Equity)	393,717	14.4%
250,398	11.6%	London LGPS CIV (Baillie Gifford Global Equity)	389,211	14.2%
228,176	10.6%	UBSGAM Life UK Equity Tracker	287,131	10.5%
0	0.0%	GPEV - FW GLOBAL EQUITY INDEX GBP OFC.	285,849	10.4%
204,407	9.5%	LGIM Global Developed Passive (Global Equity)	0	0.0%
972,576	**45.1%**	**Total Investment Assets**	**1,355,908**	**49.5%**

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 is in pooled property funds. The Fund does not directly hold property.

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 20.

a) Futures

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

Economic Exposure £000	Market Value 31st March 2020 £000	Type	Expires	Economic Exposure £000	Market Value 31st March 2021 £000
		Assets			
1,770	82	UK Fixed Income Futures	< 1 Year	0	0
74,395	67	Overseas Fixed Income Futures	< 1 Year	(27,527)	295
	149	**Total Assets**			**295**
		Liabilities			
0	0	UK Fixed Income Futures	< 1 Year	1,659	(1)
(35,348)	(413)	Overseas Fixed Income Futures	< 1 Year	6,420	(1)
	(413)	**Total Liabilities**			**(2)**
	(264)	**Net Futures**			**293**

b) Forward Foreign Currency

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

The following arrangements were in place during 2020/21:

Financial instrument	How this has been applied to manage risk	Possible impact on future cash flows*
Exchange rate hedge - Forward foreign exchange contracts	Mitigate the risk that adverse movements on foreign exchange rates will affect the carrying value and investment income relating to pooled funds including quoted overseas equities. Settlement is calculated at the contract end date based on the difference between spot rate and forward rate on a specified basket of currencies.	Note 26 shows the impact of 10% potential market movement in exchange rates. For a 10% reduction in exchange rates, the hedge would cover a loss of £50.969m.

** 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 within the Fund based on the currency the investment is in are as follows:

Asset Class	Methodology
Global Equity	50% of notional currency exposure is hedged using rolling 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 accuracy of the hedge is reliant on changes to asset values being communicated in a timely manner, and it is therefore accepted that the hedge may be up to 5% variant to the target at any point.
Infrastructure and private debt managers may also use currency hedging within their pooled vehicles.

Open Forward Foreign Currency Contracts are as follows:

Settlements	Currency Bought	Local Value of Currency Bought	Currency Sold	Local Value of Currency Sold	Asset Value	Liability Value
		£000		£000	£000	£000
< 1 month	AUD	1,236	GBP	(685)	0	(2)
< 1 month	CHF	1,019	GBP	(807)	0	(21)
< 1 month	EUR	497	GBP	(440)	0	(17)
< 1 month	GBP	43,551	JPY	(6,173,234)	3,051	0
< 1 month	GBP	59,407	EUR	(66,997)	2,311	0
< 1 month	GBP	7,165	SEK	(81,985)	346	0
< 1 month	GBP	18,153	CAD	(31,302)	117	(14)
< 1 month	GBP	16,657	CHF	(20,246)	1,057	0
< 1 month	GBP	1,880	SGD	(3,406)	43	0
< 1 month	GBP	12,907	AUD	(22,741)	353	0
< 1 month	GBP	57,530	USD	(78,543)	607	0
1-6 months	AUD	4,240	USD	(3,270)	0	(29)
1-6 months	CAD	8,342	USD	(6,543)	69	0
1-6 months	EUR	1,778	GBP	(1,564)	0	(49)
1-6 months	EUR	2,695	NOK	(27,481)	0	(36)
1-6 months	GBP	451,018	USD	(625,100)	1,350	(3,303)
1-6 months	GBP	12,991	EUR	(14,852)	330	0
1-6 months	GBP	5,426	HKD	(57,821)	36	0
1-6 months	MXN	135,161	USD	(6,533)	17	0
1-6 months	NOK	27,752	USD	(3,263)	0	(9)
1-6 months	USD	13,093	GBP	(9,393)	96	0
1-6 months	USD	3,037	MXN	(63,771)	0	(41)
1-6 months	USD	3,451	CAD	(4,302)	20	0
Open Forward Currency Contracts at 31st March 2021					**9,803**	**(3,521)**
Net Forward Currency Contracts at 31st March 2021						**6,282**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2020					**14,938**	**(20,238)**
Net Forward Currency Contracts at 31st March 2020						**(5,300)**

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

	Inception date	Carrying Value at 31st March 2020 £000	Changes in Fair Value in 2019/20 £000	Changes in Fair Value since Inception £000	Where value has been recognised
Forward Foreign Exchange Contracts (hedging Equity)	31/05/2018	(3,802)	(25,475)	(34,136)	Change in market value of investments
Forward Foreign Exchange Contracts (hedging Private Debt)	01/02/2019	(282)	(2,516)	(2,615)	Change in market value of investments
Forward Foreign Exchange Contracts (hedging Infrastructure)	01/02/2019	(995)	(492)	(582)	Change in market value of investments

Note 21 Fair Value – Basis of Valuation

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

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

Unquoted private debt and infrastructure are valued at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2021, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.
Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.
Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.
Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.
The valuation basis for each category of investment asset is set out below:

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

Sensitivity of assets valued at Level 3

Having consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021:

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

Asset	Potential Variation in Fair Value (+/-)	Value at 31st March 2020 £000	Potential Value on Increase £000	Potential 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**

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

Note 22 Fair Value Hierarchy

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

	31st March 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				
Equities	156,692	0	0	156,692
Bonds	0	199,374	0	199,374
Pooled Equity	0	1,138,955	0	1,138,955
Pooled Bonds	0	300,044	0	300,044
Pooled Property	0	104,481	0	104,481
Infrastructure	0	0	117,363	117,363
Private Debt	0	0	60,750	60,750
Derivative Assets	149	14,938	0	15,087
Cash deposits	48,672	0	0	48,672
Other investment assets	814	0	0	814
Investment income due	710	2,591	16	3,317
Amounts Receivable for Sales	0	42,966	0	42,966
	207,037	**1,803,349**	**178,129**	**2,188,515**
Financial Liabilities - Fair value through profit and loss				
Payable for investment purchases	0	(7,739)	0	(7,739)
Other investment liabilities	(1,410)	(1)	0	(1,411)
Derivative liabilities	(413)	(20,238)	0	(20,651)
	(1,823)	**(27,978)**	**0**	**(29,801)**
Total	**205,214**	**1,775,371**	**178,129**	**2,158,714**

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

Transfers between Levels 1 and 2

No assets have transferred between levels during the reporting period.

Note 23 Reconciliation of Fair Value Measurements within Level 3

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

	Infrastructure	Private Debt	Total
	£000	£000	£000
Value 31st March 2019	**13,530**	**11,585**	**25,115**
Transfers In	0	0	**0**
Transfers Out	0	0	**0**
Purchases & Derivative Payments	103,925	46,982	**150,907**
Sales & Derivative Receipts	(650)	(381)	**(1,031)**
Unrealised Gains / (Losses)	392	2,567	**2,959**
Realised Gains / (Losses)	166	(3)	**163**
Value 31st March 2020	**117,363**	**60,750**	**178,113**

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

Note 24 Classification of Financial Instruments

31st March 2020				31st March 2021		
Fair Value through P&L £000	**Assets at Amortised Cost £000**	**Liabilities at Amortised Cost £000**		**Fair Value through P&L £000**	**Assets at Amortised Cost £000**	**Liabilities at Amortised Cost £000**
			Financial Assets			
156,692			Equities	195,332		
199,374			Bonds	219,410		
1,138,955			Pooled Equity	1,529,368		
300,044			Pooled Bonds	354,449		
104,481			Pooled Property	106,409		
117,363			Infrastructure	115,999		
60,750			Private Debt	103,457		
15,087			Derivative Contracts	10,098		
0	48,672		Cash		105,288	
815	3,316		Other Investment Balances		3,563	
0	42,966		Current Assets		1,291	
2,093,561	**94,954**	**0**	**Total Assets**	**2,634,522**	**110,142**	**0**
			Financial Liabilities			
(20,651)			Derivative Contracts	(3,523)		
		(1,411)	Other Investment Balances			(246)
		(7,739)	Creditors			(3,163)
(20,651)	**0**	**(9,150)**	**Total Liabilities**	**(3,523)**	**0**	**(3,409)**
2,072,910	**94,954**	**(9,150)**	**Net Total**	**2,630,999**	**110,142**	**(3,409)**
2,158,714			**Grand Total**	**2,737,732**		

Note 25 Net Gains & Losses on Financial Instruments

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

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

2019/20 £000		2020/21 £000
	Financial Assets	
(199,776)	Fair value through profit and loss	499,870
442	Amortised cost - Realised gain on derecognition of assets	13
	Amortised cost - Unrealised gain	
(199,334)		**499,883**
	Financial Liabilities	
(28,433)	Fair value through profit and loss	57,210
(8)	Amortised cost - Realised gain on derecognition of assets	(779)
	Amortised cost - Unrealised gain	
(28,441)		**56,431**
(227,775)	**Net Gain/(Loss) on Financial Instruments**	**556,314**

Note 26 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). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund, and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

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

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

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

Other price risk

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

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

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

Asset type	Value at 31st March 2020	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£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**

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 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

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

The analysis below assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. An increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

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

	Asset Value 31st March 2020	Impact of 1%	
		Increase	Decrease
	£000	£000	£000
Asset Type			
Cash and Cash Equivalents	52,418	524	(524)
Bonds	199,373	1,994	(1,994)
Fixed Income Pooled Funds	300,044	3,000	(3,000)
Total	**551,835**	**5,518**	**(5,518)**

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

		Impact of 1%	
	Interest Receivable 2019/20 £000	Increase £000	Decrease £000
Asset Type			
Cash and Cash Equivalents	(329)	(3)	3
Bonds - UK index linked	(169)	(2)	2
Total	**(498)**	**(5)**	**5**

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

Currency risk

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

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

Assets Exposed to Currency Risk	Asset Value at 31st March 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	**976,576**		**1,074,234**	**878,918**

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

b) Credit risk

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

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

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

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

Balances at 31st March 2020 £000		Credit Rating	Balances at 31st March 2021 £000
	Moneymarket Funds		
48,009	NTGI Global Cash Fund	AAA	104,964
	Bank Deposit Accounts		
663	Variation margin		324
	Bank Current Accounts		
3,746	Held with the Fund's Bank	F1	1,663
52,418	**Total**		**106,951**

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a bond or a guarantee before admitting new employers so that all contribution obligations are covered in the event of that employer facing financial difficulties. All monthly contributions due at 31 March 2021 and 31 March 2020 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 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 2020/21 or 2019/20.

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

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

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2021 the value of illiquid assets represented £326.2m, 11.9% of the total fund value (at 31 March 2020 this was £483.4m or 22.4% of the total fund).

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

Note 27 Funding Arrangements

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

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.

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

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

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

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

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

Demographic assumptions

The assumed life expectancy from age 65 is as follows:

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

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

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

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

Note 28 Actuarial Present Value of Promised Retirement Benefits

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

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

The final guidance on implementation of the McCloud ruling used for 2020/21 is close enough to the assumptions used in the prior year to make the figures comparable.

31 March 2020 £000		**31 March 2021 £000**
(2,689,668)	Present value of promised retirement benefits	(3,425,458)
2,162,460	Fair value of scheme assets (bid value)	2,739,394
(527,208)	**Net Liability**	**(686,064)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see Note 27) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2020 % p.a.		**31 March 2021 % p.a.**
2.35	Discount rate	2.00
1.90	Inflation / pension increase rate assumption	2.80
2.90	Salary increase	3.80

Note 29 Long Term Debtors

31st March 2020 £000		31st March 2021 £000
	Long Term Debtors	
94	Opening Balance	985
934	Lifetime tax allowance paid in year	168
(43)	Recovery from pension in year	(50)
985		**1,103**

Note 30 Current Assets & Liabilities

Balance at 31st March 2020 £000		Balance at 31st March 2021 £000
	Current Assets	
3,746	Cash at Bank	**1,663**
1,365	Contributions Due	1,000
0	Bulk transfer value due from AfC RBWM	6,550
1,056	Contributions Due from Richmond & Wandsworth	209
43	VAT recovery due	241
0	Overpaid Pensions	43
81	Sundry Debtors	51
2,545		**8,094**
	Current Liabilities	
(357)	Unpaid Benefits	(1,043)
(322)	Fund Managers' fees	(208)
(937)	Amount Due to Richmond & Wandsworth	(599)
(748)	Amount Due to HMRC	(796)
(2)	Pensions Due to Estate of deceased pensioner	(70)
(188)	Sundry Creditors	(355)
(2,554)		**(3,071)**

Note 31 Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions. AVCs are entirely separate from the Fund Accounts.

Contributions Paid 2019/20 £000	Market Value 31st March 2020 £000	Provider	Contributions Paid 2020/21 £000	Market Value 31st March 2021 £000
26	767	Clerical Medical	23	866
0	547	Utmost	0	597
340	2,512	Prudential *	282	2,947
366	**3,826**	**Total**	**305**	**4,410**

* Prudential market value for 2019/20 excludes £367k potential final bonus, as this is not guaranteed. The comparative potential bonus figure for 2020/21 is not known so the value is reported inclusive of the bonus. The 2019/20 market value on the same basis is £2,879k.

Note 32 Agency Services

The Wandsworth Pension Fund pays discretionary awards to former employees of London Borough of Richmond and some associated employers of the ex-LB Richmond Fund to which this Fund is the successor body. The amounts paid are fully reclaimed from the employer bodies.

The amount paid on behalf of LB Richmond for 2020/21 was £0.863m (£0.867m in 2019/20), with payments on behalf of other employers totalling less than £200k in both years (£132k in 2020/21).

Note 33 Related Party Transactions

Governance (Control of the Fund)

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

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

In addition, Local Pension Board members during the year, Richard Perry, Graham Russell, Jeremy DeSouza, Susan Shaw, Peter Quirk and Collette Carter are active members and Roy Roach and John Steer are pensioners in the Fund.

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) – to March 2021
- Mrs F Merry (Director of Resources) – from March 2021
- Mr P Guilliotti (Assistant Director - Financial Services)
- Mr M Doyle (Head of Pensions Shared Service)
- Ms C Baxter (Head of Pension Fund Accounting)

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 and governance of the Fund, and with the Councils as employers in the Fund.

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

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

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

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

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

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

Note 34 Key Management Personnel

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

Officers do not receive additional remuneration for their role in the Pension Fund. The charge made by Wandsworth Council for administering the Fund incudes the cost of officers, and is disclosed in Note 33 above.

Note 35 Contingent Liabilities and Contractual Commitments

Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2021 were $266m (£193m) compared to US $187m (£150m) at 31 March 2020. The figure for March 2021 includes £110m committed to the LCIV Renewable Infrastructure fund in year with no calls yet made. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure and private debt parts of the portfolio. The amounts 'called' by these funds are irregular in size and tend to occur quarterly from the date of each original commitment, until the funds are fully subscribed.

Contingent Liabilities

Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations. For one ceased employer, cessation costs have been allowed to be spread into the future, but a charge is held on property they own to mitigate the risk. These guarantees are drawn in favour of the Pension Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2020/21 or 2019/20.

Note 36 Accounting Standards Issued but Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully in the 2020/21 financial statements. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations (no applicable transactions)
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (no use of hedge accounting, no hedging based on interest rates)
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (no use of hedge accounting, no hedging based on interest rates)

Pension Fund Accounts Reporting Requirement

Wandsworth Council Pension Fund - IAS26 Disclosures 31 March 2021

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 2021. 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.

An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at a previous accounting date and therefore is already included in the starting position for this report. This allowance is 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 2020 IAS26 report which was prepared for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2021;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019, 31 March 2020 and 31 March 2021; and
- Details of any new early retirements for the period to 31 March 2021 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 2021.

We have been notified of 18 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 £104,200.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 27.53%. 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 2021 is as follows:

Asset breakdown	31 Mar 2021		31 Mar 2020	
	£000s	%	£000s	%
Equities	1,724,700	63%	1,261,989	58%
Gilts	52,670	2%	57,846	3%
Other bonds	381,329	14%	301,895	14%
Property	222,408	8%	221,844	10%
Cash	114,924	4%	84,396	4%
Multi-asset fund	243,363	9%	234,490	11%
Total	**2,739,394**	**100%**	**2,162,460**	**100%**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2021 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 2021, 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 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 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.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. We have allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021, as 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 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome 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, our assumption is consistent with the consultation outcome and 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, except for the CMI projection model. 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_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore we have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Fund's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in Appendix 2, and the effect on the assumed life expectancies is demonstrated in the table below.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2021 (after CMI_2020 update)	31 Mar 2021 (before CMI_2020 update)	31 Mar 2020
Retiring today			
Males	21.6	21.9	21.8
Females	24.3	24.5	24.4
Retiring in 20 years			
Males	22.9	23.3	23.2
Females	25.7	25.9	25.8

We have also assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- 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 2021 % p.a.	31 Mar 2020 % p.a.	31 Mar 2019 % p.a.
Discount rate	2.00%	2.35%	2.40%
Pension increases	2.80%	1.90%	2.40%
Salary increases	3.80%	2.90%	3.90%

These assumptions are set with reference to market conditions at 31 March 2021.

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.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value is shown in Appendix 2.

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 0.40% p.a. below RPI i.e. 2.80% 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. The impact of this change in derivation on the liability value is shown in Appendix 2

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

Results and disclosures

We estimate that the net liability as at 31 March 2021 is a liability of £686,064,000.

The results of our calculations for the year ended 31 March 2021 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2021;
- 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 FRS102. 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 2021

Net pension asset as at	31 Mar 2021 £000s	31 Mar 2020 £000s	31 Mar 2019 £000s
Present value of the defined benefit obligation	3,425,458	2,689,668	2,869,899
Fair value of Fund assets (bid value)	2,739,394	2,162,460	2,386,753
Net liability in balance sheet	**686,064**	**527,208**	**483,146**

*Present value of funded obligation consists of £3,378,304,000 in respect of vested obligation and £47,154,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2021

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2021 £000s	Year to 31 Mar 2020 £000s
Opening defined benefit obligation	**2,689,668**	**2,869,899**
Current service cost	86,409	90,986
Interest cost	62,475	68,014
Change in financial assumptions	716,911	(266,382)
Change in demographic assumptions	(30,444)	(86,864)
Experience loss/(gain) on defined benefit obligation	(36,814)	86,818
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(79,308)	(89,786)
Past service costs, including curtailments	520	1,375
Contributions by Scheme participants and other employers	16,041	15,608
Unfunded pension payments	-	-
Closing defined benefit obligation	**3,425,458**	**2,689,668**

The change in financial assumptions item includes the impact of the change in derivation of future assumed RPI and CPI inflation as noted on page 8. These changes have resulted in a loss of £93,771,000 on the defined benefit obligation; comprising a gain of £150,165,000 from the change in assumed IRP and a loss of £243,936,000 from the change in the assumed gap between RPI and CPI inflation.

The change in demographic assumptions figure in the table above reflects the update to use the CMI_2020 Model as set out in the Demographic/Statistical assumptions section of this report.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2021 £000s	Year to 31 Mar 2020 £000s
Opening fair value of Fund assets	**2,162,460**	**2,386,753**
Interest on assets	50,636	56,996
Return on assets less interest	542,833	(257,038)
Other actuarial gains/(losses)	-	935
Administration expenses	(1,013)	(1,214)
Contributions by employer including unfunded	47,745	50,206
Contributions by Scheme participants and other employers	16,041	15,608
Estimated benefits paid plus unfunded net of transfers in	(79,308)	(89,786)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**2,739,394**	**2,162,460**

The total return on the Fund's assets for the year to 31 March 2021 is £593,469,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	3,425,458	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	3,359,538	3,492,738
Long term salary increase	3,430,371	3,420,582
Pension increases and deferred revaluation	3,487,231	3,364,859
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	3,582,746	3,275,483

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

November 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 April 2020).

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 advice from the Fund's appointed advisor on both asset allocation and where appropriate manager selection (this would only apply if the appropriate asset class is not available within the Fund's Pooling arrangements).

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 its investment strategy
    - Strategic Asset Allocation and the timing of material changes are the most important drivers of the fund's financial outcomes
    - Equities are expected to generate superior long term returns
    - Alternative asset classes will be considered to enhance returns and diversification
    - It is recognised that environment, social and governance factors, including climate change, can influence long term investment performance and the ability to achieve long term sustainable returns
    - Whilst fees and costs need to be controlled, return net of fees will be the key performance indicator for the Fund.

- Good Governance is critical to making informed investment decisions.
- Enhanced returns in a risk managed environment are delivered through combining active and passive management approaches.

Investment of money in a wide variety of investments

Asset classes

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 %
Global equities	55	45-65
Property	6	4-8
Infrastructure Equity	10	5-15
MAC	10	8-12
Private Debt	8	5-12
Corporate bonds	10	5-15
Cash	1	0.5 - 3
Total	100	n/a

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

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

Restrictions on investment

24. The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed not to impose its own restrictions as all other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice. However, should any one 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, including climate change related risks- The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

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 2022 valuation process. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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 and decarbonisation 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"), including climate change related investment risks - 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 November 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 25/11/20	Benchmark and performance objective
Global Equity	Longview	14.5	MSCI World Unhedged (Total Return) + 2%
Global Equity	Baillie Gifford	14.4	MSCI World All Countries Unhedged (Gross Dividend Re-invested) + 2%
Multi-asset Credit	CQS	2.3	LIBOR + 4%

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

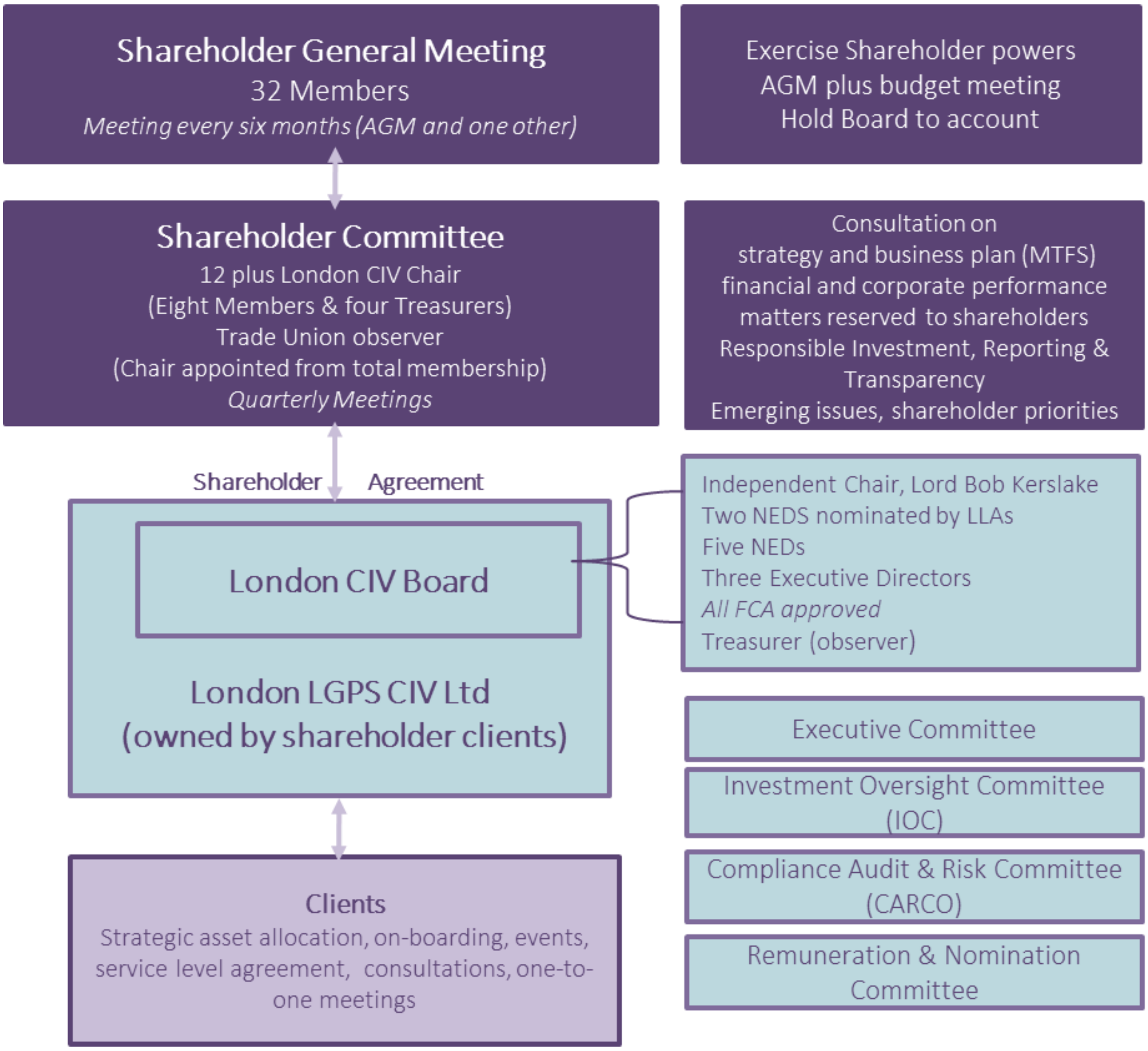
Property	Legal & General, Henderson, CCLA, and Schroder	4.3	AREF / IPD All Balanced Property Fund Index Weighted Average + 1%	Not value for money to transfer/no equivalent mandate on CIV
Private Debt	Brightwood, Churchill and Permira	3.5	LIBOR + 4%	No Private Debt Fund/Illiquid Mandate
Infrastructure	JP Morgan, Pantheon	4.6	6% total return	Illiquid Mandates

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

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 environmental, social, and governance ("ESG") issues is generally likely to have a favourable effect on the long-term financial performance of the company and improve investment returns to its shareholders.

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

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

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 2018

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

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

Comments

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

NFI 2020

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

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

Comments

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