



ROYAL BOROUGH OF GREENWICH PENSION FUND

Annual report - 2018/19

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Introduction



ROYAL BOROUGH OF GREENWICH
PENSION FUND

Message from Chair of the Pension Fund Investment and Administration Panel

It is my pleasure, as Chair of the Pension Fund Investment and Administration Panel, to introduce the Royal Borough of Greenwich Pension Fund Annual report and financial statement for the year ending 31 March 2019.

Over the past year, we have seen considerable success, with the Fund's assets increasing by £57m to a net asset value of £1.332bn, an above inflation increase of 4.3% from the previous year. Investment returns were positive towards the end of the financial year, despite significant market volatility during October to December.

While Investment performance varied across strategies and managers, the fund has seen good returns from Passive equities, Property, Diversified alternative and Bonds strategies. It has been reassuring to see the current diversified strategies continue to perform well against market conditions. However, the panel will continue to review the performance of the Funds' investment managers and asset allocation.

Responsible Investment remained a key priority for the Panel, with a particular focus on understanding

and managing the risks posed by carbon based fuels. In March, the Panel adopted a set of responsible investment principles for the first time that will lay the foundation for future investment decision and form part of the Investment Strategy Statement.

The Fund has continued its membership in the Local Authority Pension Fund Forum, which seeks to harness and optimise shareholder influence, promote corporate social responsibility and high standards of corporate governance.

Investment pooling continues to be an important piece of work for the Fund, with both the Panel and Officers having regularly meetings with the London Collective Investment Vehicle to discuss a road map for the transition of assets in order to ensure that cost saving can be identified.

Finally, I would like to take this opportunity to thank my colleagues on the Pension Fund Investment and Administration Panel, Local Pension Board, our advisers, employer organisations and the Pension Fund team involved in the management of the Pension Fund during 2018-19.



Councillor Peter Brooks

The Chair of Pension Investment & Administration Panel

Message from the Director of Finance

I am pleased to report that the Fund delivered positive results over the year for its members, amounting to three years of consecutive growth since 2015/16. The Fund's revised asset allocation strategy, fully implemented in 2015/16, continues to have a positive impact on the Fund's asset value, which increased to £1.332bn from £1.275bn.

Following its completion of the investment strategy review, the Pension Fund has maintained the existing strategic asset allocation with some minor rebalancing. The Fund will review its strategic asset allocation next year alongside the triannual valuation. I look forward to reporting how we have implemented any changes. The latest Investment Strategy Statement was published in September 2018 which, when read in conjunction with the Funding Strategy Statement, provides an overview of the Fund's approach to investing its assets in order to fund its liabilities.

The Fund's active membership has continued to remain strong over the previous five years, which has resulted in an overall 8% increase. This can be attributed to the impact of auto-enrolment. The

growth in membership has resulted in an increased workload for staff to provide administrative support to the Fund. To help support the change in work demands and to future-proof the service, the department has undertaken a review of staffing numbers, with focus on a trainee position and senior officer position.

This year saw the appointment a new pension fund custodian to act as a third party between the Fund and its investment managers. The custodian procurement conducted via an external framework, was in line with the authority's procurement guidance and Contract Standing Orders, to achieve value for money, reducing costs to the Pension Fund.

The Funds continued responsibility to ensure corporate governance and to keep up to date with legislative and regulatory developments has required the on-going attention of the officers and pension committee. One of the main changes this year is the LGPS amended regulations 2018, which introduces employee exit credit. The appropriate stakeholders are aware of these changes.

The Royal Borough of Greenwich Pension Fund is committed to managing your investment efficiently and effectively. This means:

- Performance managing investment managers to drive the delivery of returns they agreed to make;
- Negotiating fair fees with managers to ensure we are not paying excessive transaction costs;
- Reviewing our investment structure and objectives in the light of economic changes using the asset liability study tools;
- Choosing investments wisely and mitigating poor performing activities in real time;
- Training our panel members and officers to ensure effective due diligence and focused and sound stewardship;
- Exploring opportunities for new ways of administering the Fund that deliver lower costs and improve returns.

2019/20 will continue to see more challenges for the LGPS, with continued scrutiny from taxpayers and central government bodies. The Fund will remain innovative, ensuring it provides value for money for employers and members alike.

Damon Cook

Director of Finance

Message from the Chair of the Pension Board

Welcome to the annual message of the Local Pension Board. This Board established in 2015, arising from the Public Sector Pension Act 2013 and Local Government Pension Scheme (LGPS) Regulations 2015 is now in its fourth year. I am happy to announce that during the year, the Local Government Pension Scheme Advisory Board had identified the publication of local Pension Board annual report as good practice, and as an effective means of assisting in the administration of the Fund.

The purpose of the Board is to assist the Administering Authority to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and ensure efficient and effective governance and administration of the Fund.

This report covers the period 1st April 2018 to 31st March 2019 within which the Board has held four formal meetings. During this period, members of the Board have continued to develop their knowledge and understanding of the LGPS and the Pensions Regulator requirements as required by law.

In its fourth year of operation, the Board remains focused on its core functions as set out in the terms of reference, and committed to its statutory responsibilities with a core agenda of key governance

themes around the Fund's legal compliance, risk management and best practice.

I am pleased to say that with the support of officers and professional advisors to the Fund; the Board has made good progress in fulfilling its terms of reference and continuing to support the Council fulfil its statutory duties as an administering authority.

The Board reviewed the fund's investment assets and the management of them. It was content that the Panel, with the help of professional advisors had followed due process in making decisions.

Looking ahead, the Board will continue to work closely with the Panel across a broad range of areas. Review information about how social, environmental or corporate governance considerations are to be taken into account in the selection, non-selection, retention and realisation of investments, using reports that show the issues in more detail. The Board also will continue to work to secure the effective and efficient governance and administration of the LGPS for the Royal Borough of Greenwich Pension Fund arrangements effectively. I also want to thank my fellow Board members for their commitment to their roles.



Councillor Norman Adams
Chair – Pension Board

Independent auditor's report to the members of the Royal Borough of Greenwich on the consistency of the pension fund financial statements included in the pension fund and annual report

Opinion

The pension fund financial statements of Royal Borough of Greenwich Pension Fund (the 'pension fund') administered by of Royal Borough of Greenwich (the "Authority") for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2019 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's

report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 24th July 2019

Chief Financial Officer's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in

the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

for and on behalf of Grant Thornton UK LLP,
Local Auditor - 30 August 2019

Scheme overview

The Royal Borough of Greenwich Pension Fund is part of the LGPS which is governed by various regulations. Its benefits are therefore defined and guaranteed in law. The LGPS was contracted-out of the State Second Pension (S2P) for 2015/16. The scheme changed to be 'contracted in' during April 2016. The Pension Fund fulfils the requirements of the Public Services Pensions Act 2013, which requires Councils to maintain a Pension Fund for its own employees and employees admitted to the Fund under an admission agreement.

The Royal Borough of Greenwich is the Administering Authority and the Director of Finance is responsible for the day to day administration of the Fund.

The Royal Borough of Greenwich Pension Fund is a funded pension scheme which means that contributions into the Fund are made by employers and employees which are then used to make investments upon which a return is anticipated. Benefits are paid using the Funds cash flow.

Employee contribution rates are set by regulations and are dependent upon each member's actual pensionable pay. Employee contributions attract tax relief at the time they are deducted from pay.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last formal triennial valuation took place as at 31 March 2016 and showed that the fund was 91% funded, ranking RBG joint fourth in funding level. When comparing the triennial valuation of Royal Borough's Fund as at 31 March 2016, and fund value as at 31 March 2017 with 27 similar Local Government Pension Scheme funds. The deficit is to be funded by employer contributions over the course of 20 years.

The investment objective of the Pension Fund is to ensure that the Fund has sufficient assets to pay pensions and other benefits by maximising investment returns within acceptable risk tolerances.

Some key points about contributions and benefits:

- From 1 April 2014 scheme contributions and benefits relating to service earned from that date changed and have moved to inflation linked Career Average Revalued Earnings (compared to final salary prior to the date of change).

The higher accrual rate of 1/49th (rate pension is earned) was introduced

- Flexibility for member to pay 50% contributions, in return for half of the normal benefits.
- The average contribution rate for employees has remained at 6.5%, but higher earners will pay more.
- The option to convert pension to lump sum has remained.
- Benefits from 1 April 2008 to 31 March 2014 are calculated using the accrual rate of 1/60 for pension and based on final salary. The accrual rate Pre April 2008 was 1/80.
- Employees are given a facility to enhance their pension arrangements through the use of Additional Voluntary Contributions (AVCs), as a requirement of the LGPS.
- The Royal Borough of Greenwich Pension Fund uses Clerical Medical as its current AVC provider; however, members who held an account with the previous AVC provider (Equitable Life) continue to do so.



Management and Financial Performance

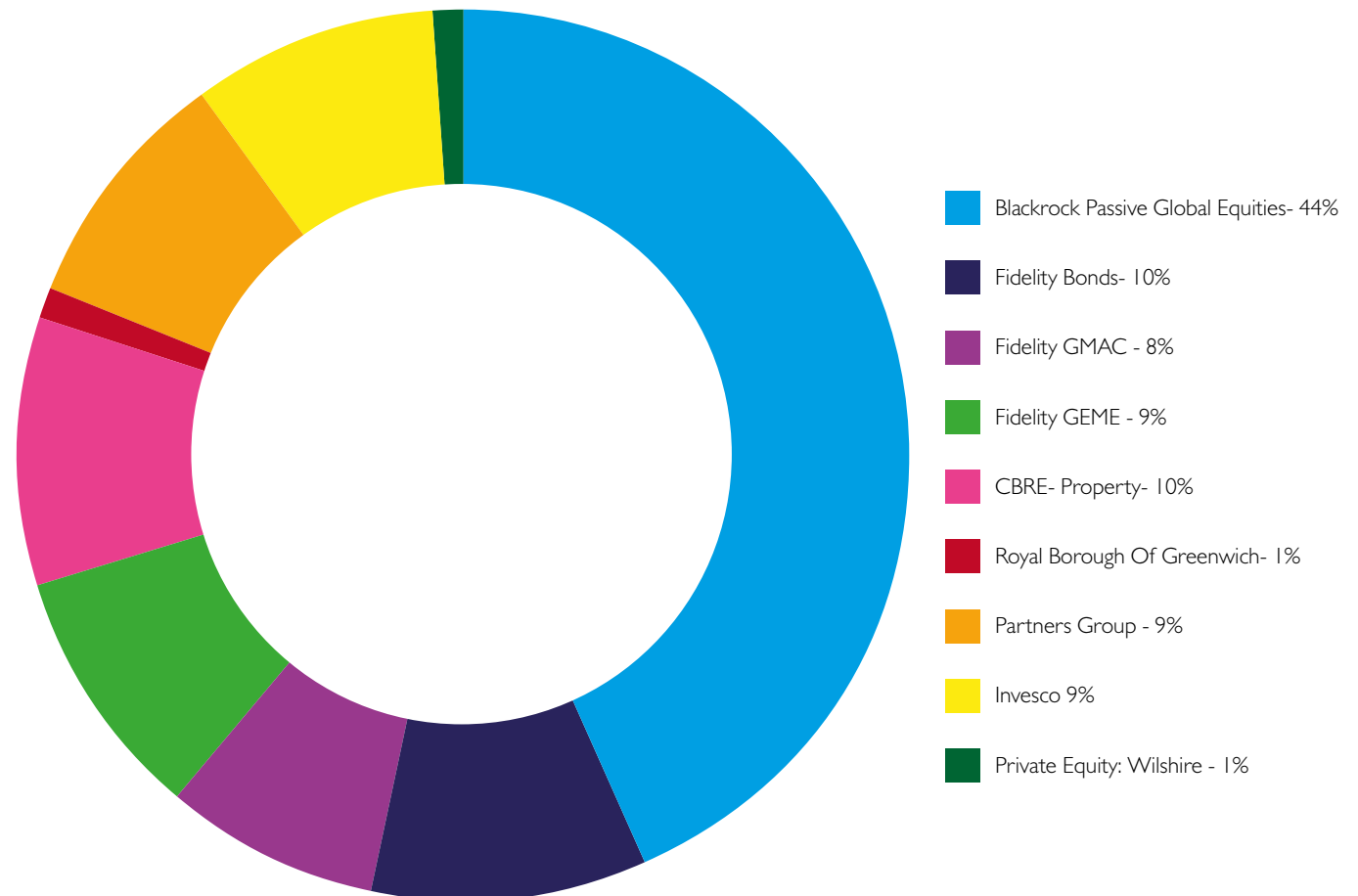
ROYAL BOROUGH OF GREENWICH
PENSION FUND

The pension fund at a glance

As at 31 March 2019, the Royal Borough of Greenwich Pension Fund comprised:

- 53 active employers
- Net assets valued at £1.332bn
- 25,284 members of which 9,087 were actively contributing into the fund, 7,024 were drawing benefits from the fund and the remainder had rights to deferred benefits.

Breakdown of Scheme assets by manager as at 31 March 2019



Scheme management and advisors

Administering Authority

Royal Borough of Greenwich

The Woolwich Centre, 35 Wellington St, London, SE18 6HQ

Officers

Damon Cook *Director of Finance*

Panel Members

Cllr Peter Brooks *Chair of The Pension Fund Investment and Administration Panel*

Cllr Olu Babatola

Cllr Mick Hayes

Cllr Patricia Greenwell

Cllr Linda Bird

Panel Observers

Unite

GMB

Unison

Board Members

Cllr Gary Dillon *Employer Representative*

Cllr Norman Adams *Employer Representative*

Simon Steptoe *Member Representative*

Justin Jardine *Member Representative*

Actuary

Barnett Waddingham

2 London Wall Place, 123 London Wall, London, EC2Y 5AU

Investment Consultant

Hymans Robertson

1 London Wall, Barbican, London EC2Y 5EA

Legal Advisors

Burges Salmon 6 New Street Square, London, EC4A 3BF

Investment Managers

BlackRock Advisors (UK) Limited

12 Throgmorton Avenue, London, EC2N 2DL

Fidelity

25 Cannon Street, London, EC4M 5TA

CBRE Global Investment Partners LTD

3rd Floor, One New Change, London, EC4M 9AF

LGT Capital Partners

1 St James's Market, London, SW1Y4AH

Wilshire Associates

23 Austin Friar, London, EC2N 2QP, United Kingdom

Partners Group (Guernsey) Limited

14th Floor, 110 Bishopgate, London, EC2N 4AY

Invesco Perpetual

43-45, Portman Square, London, W1H 6LY

AVC Providers

Clerical Medical

PO Box 28121, 15 Dalkeith Road, Edinburgh, EH16 9AS

Equitable Life

Equitable Life Assurance Society, Walton Street, Aylesbury, Buckinghamshire, HP21 7QW

Custodian

State Street Global Services

20 Churchill Place, Canary Wharf, London, E14 5HJ

External Auditor

Grant Thornton UK LLP

110 Bishopsgate London EC2N 4AY

Bankers to the fund 2018/19:

RBS

36 ST Andrew Square, Edinburgh, United Kingdom, EH2 2YB

RISK MANAGEMENT

Risk Management and Governance

The Panel is responsible for the prudent and effective stewardship of the Royal Borough of Greenwich Pension Fund. As part of this duty, the Panel oversees the monitoring and management of risk. This role includes:

- Determining the risk management policy and reconciling this with wider organisational risk policy
- Setting the risk management strategy in line with the risk policy
- Overseeing the risk management process

The risk management process involves:

- Risk identification
- Risk analysis
- Risk control and monitoring.

A key tool for the management of risk is the risk register. The register incorporates an assessment of likelihood and impact of risk events as well as control measures in place and an overall risk score. The Director of Finance keeps the risk register under review, and presents it to the panel.

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

How Risks Are Identified, Managed and Reviewed

A scoring matrix is used to identify and assess risks. The scoring matrix (Appendix G Risk Register) assesses two elements of a risk:

- the chance of it happening
- the impact if it did happen

Each element is independently assessed on a scale of 1-5. These scores are then combined to give an overall score. The higher the score the more chance a risk will occur and the more significant the impact will be.

The risk register lists the risks identified, the consequence of each risk occurring and the score assigned to each risk. Procedures and controls are then considered, the risk is reassessed, and a second score applied in light of these.

This process identifies the risks with the highest scores, which are then prioritised for review by Senior Management.

The panel and officers are mindful of risk in carrying out their duties on a day to day basis and any significant risks identified are reviewed and managed through processes and controls accordingly.

Key Risks

The following table shows categories of risk that are identified by the risk register:

Key Risks

Administrative risk

Compliance/regulatory risk

Employer risk

Investment risk

Liability risk

Reputational risk

Skill risk

Details of individual risks are stated within each category. Due to the controls in place to mitigate risk, there are currently no areas requiring immediate senior management attention, but this will remain under review.

A copy of the Risk Register can be found at Appendix G.

Management of Third Party Risk

The Fund's investment managers and its custodian issue annual internal control documents. These documents identify internal processes and procedures and details of the audit testing performed during the year. These provide comfort to the Fund that risk management and control policies and procedures are in place within these organisations.

The Director of Finance analyses and reconciles information provided by the custodian to that of the investment manager. Each quarter, the Panel receives a draft set of quarterly accounts. In preparing these, the assets held by each manager are reviewed and reconciled. The Panel also receives quarterly performance reports in which manager performance is reviewed. Any issues arising out of these reviews are raised at the Panel meeting.

The fund's Investment Adviser monitors the market and the activities of investment managers and informs officers if there are any concerns such as key changes of staff.

The table below shows the CIPFA prescribed frequency of internal audit testing of the pension fund, and testing carried out during 18/19 as part of internal audit testing of the fund.

INTERNAL AUDIT TESTING			
Operational Risk Area	CIPFA prescribed frequency	Testing conducted 18/19	Level of control assurance
Benefit payments and lump sums	Annual testing	Yes	Moderate
Employee contributions	Annual testing	Yes	High
Employer contributions	Annual testing	Yes	High
Membership records	Annual testing	Yes	High
Administration and Governance costs	Every 5 years	No	
Investment management costs	Every 3 years	No	

Fund Manager	Type of Report	Assurance Obtained	Reporting Accountant
Blackrock	ISAE 3402	Reasonable Assurance	Deloitte
CBRE	AAF01/06 and ISAE 3402	Limitation of Scope/ Reasonable Assurance	KPMG
Fidelity	AAF01/06 and ISAE 3402	Reasonable Assurance	PWC
Invesco	ISAE 3402	Reasonable Assurance	PWC
LGT	ISAE 3402	Reasonable Assurance	PWC
Partners Group	ISAE 3402	Reasonable Assurance	PWC
State Street	SOC I	Reasonable Assurance	Ernst & Young

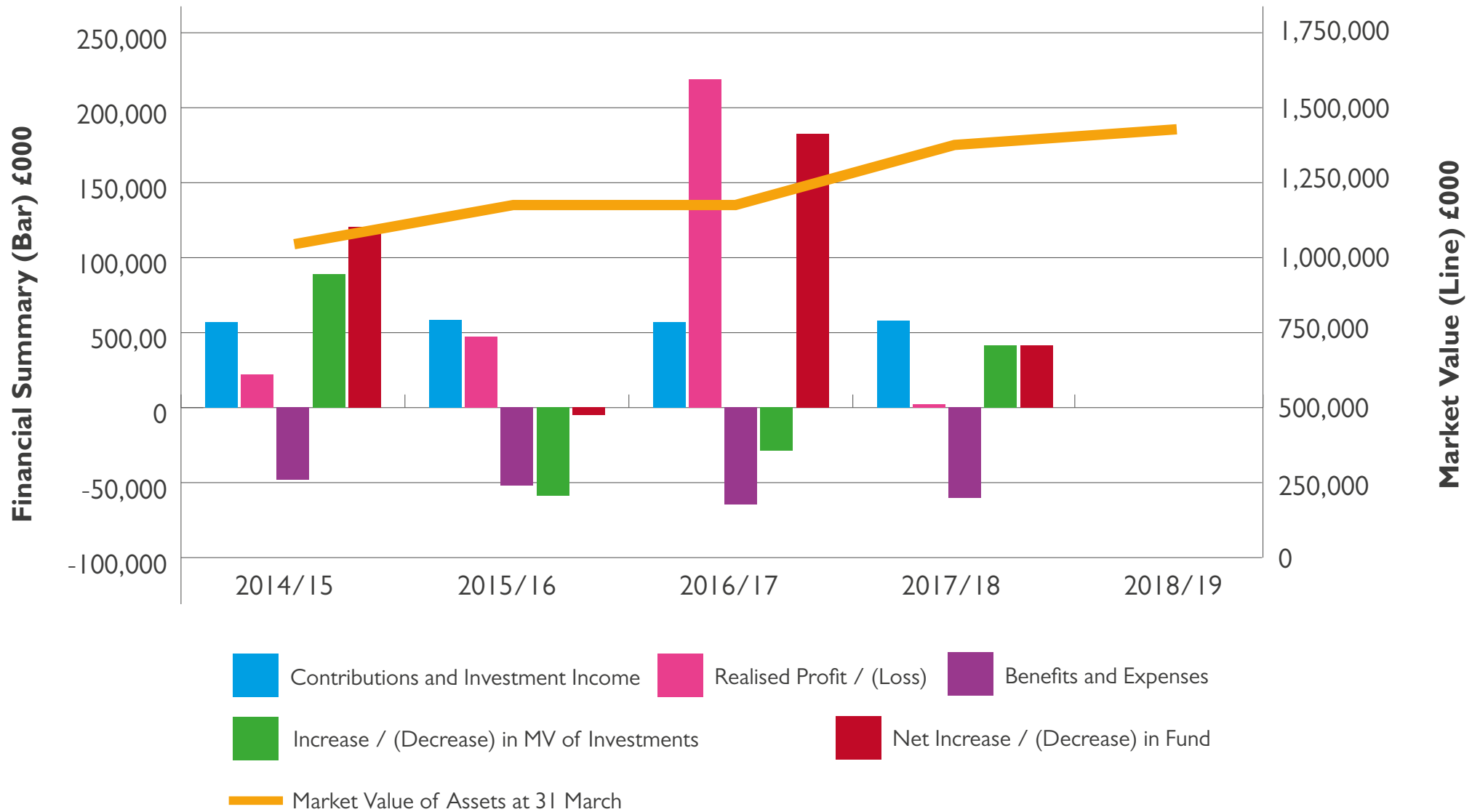
The fund has been advised by Wilshire Private Markets, that their internal control structure does not receive an assurance report however; their controls environment are reviewed as part of their annual financial audit process.

FINANCIAL PERFORMANCE

Below is a five-year financial summary of the fund. The value of the fund has increased year on year since the economic crisis of 2008, up until the end of 2015/16, when there was a small decrease in market value of £5.1m. The upward valuation movement recommenced in 2016/17 and carried on into 2017/18, resulting in an increase in market value of £41.3m, and then another £57m in 2018/19. Comparisons between the year on year change in market value of the fund and the FTSE 100 index were made. The fund performed well, with an increase in market value of 4.5%. A more detailed performance review of the fund comparing performance against the fund's specific benchmarks is available in the Investment Policy and Performance section of this report.

Five Year Financial Summary

Financial Summary	14/15	15/16	16/17	17/18	18/19
	£000	£000	£000	£000	£000
Contributions and Investment Income	57,005	58,331	57,016	57,977	57,567
Realised Profit / (Loss)	22,271	47,389	218,811	2,054	2,888
Benefits and Expenses	(47,998)	(51,903)	(64,620)	(60,244)	(65,069)
Net Annual Surplus / (Deficit)	31,278	53,817	211,207	(213)	(4,614)
Increase / (Decrease) in MV of Investments	88,988	(58,890)	(28,804)	41,511	61,753
Net Increase / (Decrease) in Fund	120,266	(5,073)	182,403	41,298	57,139
Market Value of Assets at 31 March	1,056,702	1,051,629	1,234,032	1,275,330	1,332,469
Change in Greenwich Fund Market Value	12.8%	(0.5%)	17.3%	3.3%	4.5%
Change in FTSE 100	2.9%	2.7%	18.6%	(3.8%)	2.5%



Budgeted Fund Account

The Fund cash flow estimate for 2019/20 summarises a number of trends namely, increasing pension payments to members through new pensioners.

Expenditure was relatively in line with the previous year's estimate with the only significant variance being transfer values including apportionments, which doubled in the year, which may be due to backlog caused by legislative changes by the Government Actuaries Department (GAD). Total income outperformed the. Positive investment performance kept contributions above economic pension expense estimate. Net inflow for the year was lower than the previous year, and the estimate due to increased expenditure, caused in partly by a number of members taking voluntary redundancy in 2018/19 as part of a number of reorganisations.

Budgeted Fund Account- Fund Cashflow	2017/18	2018/19	2018/19	2019/20
	Actual	Budgeted	Actual	Budgeted
	£m	£m	£m	£m
Pension(or annuities): retired employees and dependents	(42)	(43)	(44)	(43)
Lump sums on retirement (including deferred)	(7)	(8)	(9)	(8)
Lump sums on death	(1)	(1)	(2)	(1)
Administration and fund management costs of the Fund	(1)	(1)	(1)	(1)
Transfer values including apportionments	(4)	(2)	(4)	(2)
Total expenditure	(55)	(55)	(60)	(55)
Contributions (including those from other employing authorities): employees	13	13	14	13
Contributions (including those from other employing authorities): employers	34	34	36	34
Investment income	5	8	6	8
Transfer values including apportionments	6	6	2	3
Total income	58	58	58	58
Net inflow/ (outflow)	3	3	(2)	3

The table below shows summary of total employer contributions made in the financial year, and the timing.

Number of Contributions	Number of Late Payments	Percentage Late
629	29	4.61%

The table below shows the total contributions made in the financial year.

Classification	Administering	Admitted	Scheduled	Total
	£000	£000	£000	£000
Employers	28,724	2,024	5,278	36,026
Employees	10,702	929	1,876	13,507
Total	39,427	2,953	7,154	49,533

Statute specifies that 'contributions must be paid into the fund by the 19th day of the following month to that which they relate'. The Pensions Regulations allows interest to be levied on contributions that are not paid on time.

This power was not exercised during 2018/19.

The table below shows the summary of information about the level of contributions as a percentage of pensionable pay.

Contribution level	
Pensionable Pay	£197,156,836
Employee Contributions	£13,507,130
Percentage	6.65%

Overpayments

In 2018/19, we raised 18 invoices for overpayments of pension totalling £13,236.12 of which £9,344.70 recovered; the majority of these were due to late notification of death. In 2018/19, we wrote off one invoice for £368.46 for overpayment of salary, which is from a previous year. There are four invoices from previous years in relation to overpayments, which are outstanding – these total £5,280.09.

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Investment management expenses have increased in 2018/19 compared to the previous

Financial year; this was largely due to the costs associated with investment manager performance .

Administrative costs increased again in 2018/19 above both the previous year, and the forecasted figure. This was due to two unbudgeted projects, which were funded during the year. Forecasted administrative costs for 2019/20 are higher to factor in the first year costs of the new Pension Admin and Payroll system.

Administration and Investment Management Costs	2017/18 Actual £000	2018/19 Actual £000	2019/20 Forecast £000
Administration			
- Central costs	851	904	1,518
- Other	10	11	12
Total Administration	861	915	1,530
Total Oversight & Governance	121	129	132
Total Investment Management *	4,789	5,041	5,141
Total Costs Charged to the Fund	5,771	6,085	6,803

*Non pooled investment

The pension service comprises 12.6 members of staff covering both the employing and administration duties. This equates to 2,007 members of the fund to each full time equivalent post compared to 2,046 in 2017/18.

Membership Summary

The table and graph below show a summary of membership numbers over the last five years. The number of active members has increased by 8% over the last 5 years overall, with pensioners also increasing by 51% and deferred members increasing by 29% over the same period.

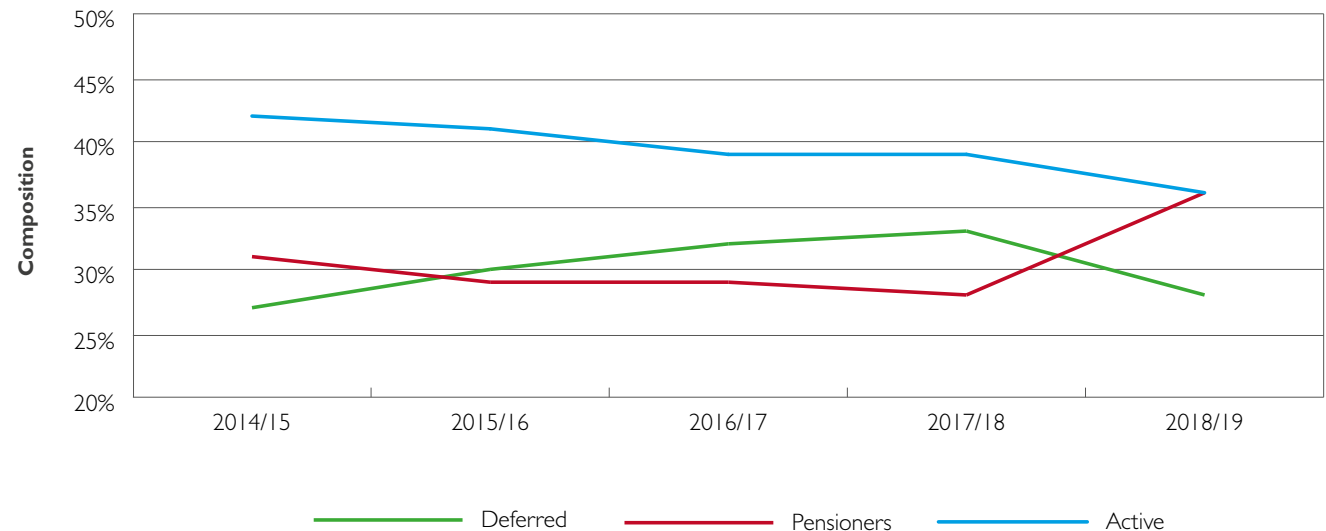
Membership	2014/15	2015/16	2016/17	2017/18	2018/19	Movement over 5 Yrs
Active	8,407	8,813	8,828	9,663	9,087	8%
Pensioners	6,075	6,288	6,641	6,822	7,024	16%
Deferred	5,426	6,410	7,198	8,064	9,173	69%
Total	19,908	21,511	22,667	24,549	25,284	27%

*2015/16 - 2017/18 figures include leavers who had not taken a decision on their retirement benefit options

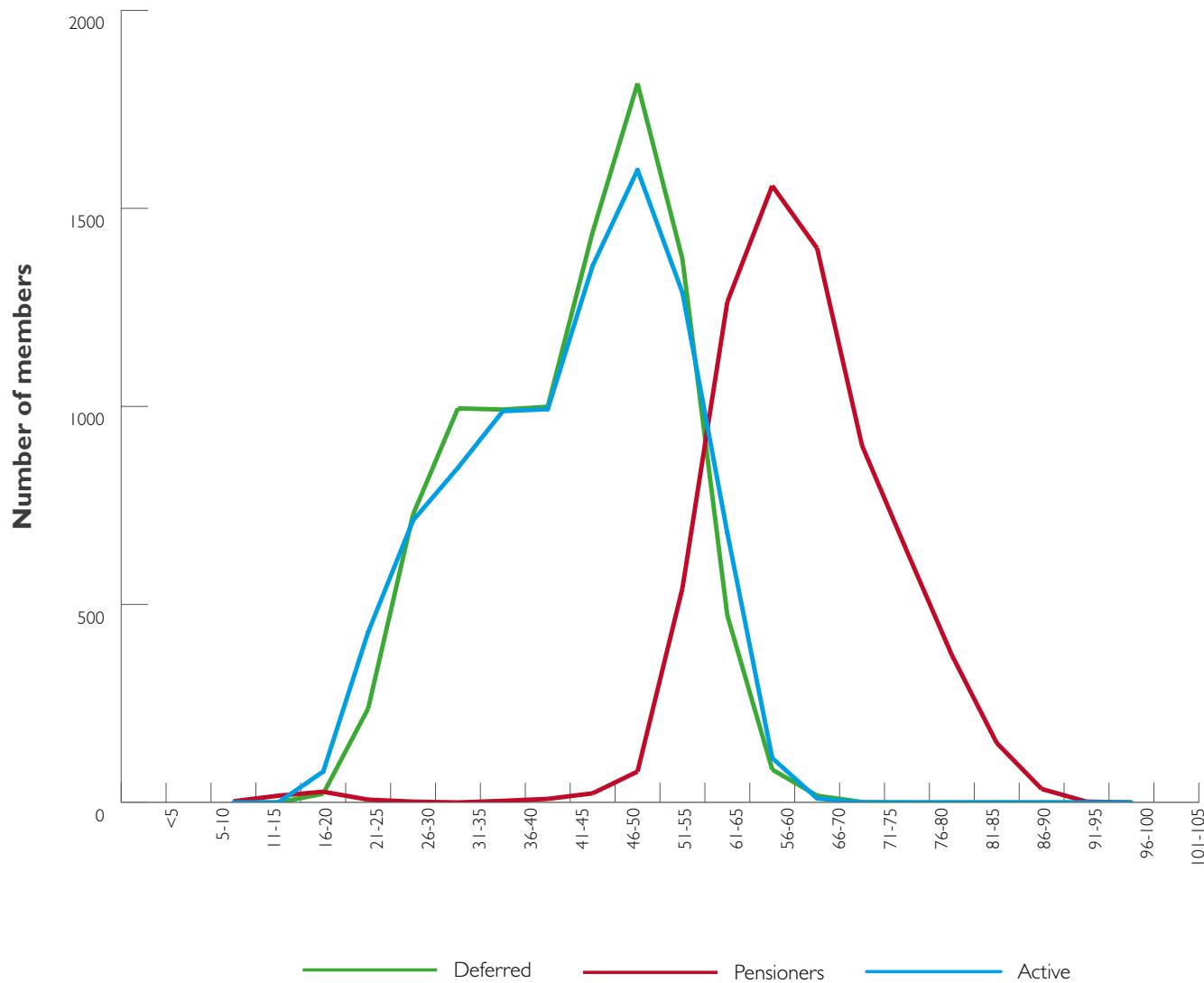
Change in Composition of Membership Numbers over 5 Years:

The following graph shows the change in the composition of membership over the last five years. In recent years, the proportion of active members has decreased in composition from a high of 42% in 2014/15 to 39% in 2017/18 and then a further drop to 36% in 2018/19. Deferred members decreased by 3% to 36% from the previous year's 33%, whilst the proportion of pensioners remains at 28%.

The average age of an active pension fund member is 46. The average for pensioner members is 68, with the oldest being 103. The graph below is a depiction of the profile of the Fund's membership.



Profile of Fund Membership



Employers' Summary

Employers are split into 3 categories:

- The Administering Authority, which is The Royal Borough of Greenwich (the "Authority").
- Scheduled Bodies, which are Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted Bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The Royal Borough of Greenwich has the largest share of active membership of the fund (79%). For 2018/19, 53 employers actively contributed to the fund. This includes the Administering Authority and the following Scheduled and Admitted bodies:

Administering					
	Employers	Employees			
Royal Borough of Greenwich	£28,724,764	£10,701,727			
Scheduled			Admitted		
Contribution Values			Contribution Values		
	Employers	Employees		Employers	Employees
Compass	£1,042,203	£337,014	Greenwich Leisure Ltd	£1,112,819	£589,926
Greenwich Service Plus	£1,146,773	£384,550	GLL Libraries	£219,012	£87,803
Inspire	£449,414	£145,403	Homestart	£90,183	£29,965
Maritime	£424,760	£149,869	GLL Children's Centre East	£59,503	£28,531
Shooters Hill	£285,991	£116,367	Central Greenwich Children's Centre	£62,958	£28,292
Halley Academy	£276,764	£103,705	Sanctuary Care Ltd	£63,676	£20,002
Charlton Park Academy	£275,808	£101,547	GLL Childrens Centre South	£81,323	£22,495
Crown Woods - Stationers	£235,123	£91,392	Heritage Trust	£77,736	£17,698
St Paul's Academy	£227,420	£87,504	Oxleas NHS Trust	£35,049	£11,592
Woolwich Polytechnic Academy	£206,766	£79,736	First Step Trust	£32,440	£18,484
Endeavour Partnership Trust	£161,436	£60,466	Glyndon Community Centre	£28,076	£10,740
St Thomas More	£132,087	£54,630	St Mary's (Eltham) Community Complex Association	£27,412	£10,088
Eltham (Harris) Academy	£107,185	£43,581	Charlton Athletic Community Trust	£21,689	£9,676
Greenwich Free School	£99,751	£39,431	Simba Housing Association	£14,711	£5,812
The Greenwich Catholic School Trust (St Mary's)	£85,080	£27,529	Greenwich Citizen Advocacy Project	£14,150	£5,393
UTC	£42,699	£17,588	GLL Play Centre	£13,570	£5,188

Administering continued...

	Employers	Employees			
Royal Borough of Greenwich	£28,724,764	£10,701,727			

Scheduled			Admitted		
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Contribution Values			Contribution Values		
	Employers	Employees		Employers	Employees
Eltham Crematorium	£46,311	£17,425	May Harris Multi Services Ltd	£7,696	£1,701
IAG	£20,563	£7,908	Greenwich West Community & Arts Centre	£8,902	£4,586
Leigh Academy Blackheath	£11,813	£4,310	G4S	£8,839	£2,740
			Quaggy Development Trust Children's Centre	£5,948	£4,213
			Avante	£6,710	£2,765
			Greenwich Co-operative Development Agency	£5,065	£1,995
			Westgate Cleaning Sherington	£4,007	£1,191
			Wide Horizons Outdoor Education Trust	£4,894	£2,047
			Bridge 86	£3,919	£1,544
			Cucina	£2,971	£932
			Westgate Cleaning (St Marys)	£2,707	£805
			Taylor Shaw	£2,597	£769
			Greenwich Mencap	£3,000	£1,000
			Taylor Shaw Nightingale	£2,194	£652
			Discovery Sch *	-	-
			Morden Mount Sch *	-	-
			Hawksmoore Sch *	-	-
			Eglington Sch *	-	-

* These four schools are part of the Royal Borough of Greenwich but with an external payroll provider

Investment policy and performance



ROYAL BOROUGH OF GREENWICH
PENSION FUND

Investment policy and performance

Investment Policy

The Royal Borough of Greenwich is the statutory body responsible for administering the fund. It has delegated responsibility for the management of the fund, including its investments, to The Panel. During 2018/19 the Panel comprised four Councillors from the Royal Borough of Greenwich, who have full voting rights. Three Trade Union representatives, staff from the Finance Directorate and professional advisors also, attend Panel meetings but do not have voting rights.

The main objective of the Fund is to ensure that there are enough assets in the Fund to cover liabilities of promised retirement benefits; and to do this within acceptable risk parameters.

The Royal Borough of Greenwich Pension Fund is committed to managing investments efficiently and effectively. This means:

- Managing the performance of the investment managers to drive the delivery of returns they agreed to make.
- Negotiating fair fees with managers to ensure we are not paying excessive transaction costs.
- Reviewing our investment structure and objectives in the light of economic changes using the asset/liability study tools.

- Choosing investments wisely and mitigating poor performing activities in real time.
- Training our Panel members and officers to ensure effective due diligence and focused and sound stewardship.
- Exploring opportunities for new ways of administering the Fund that deliver lower costs and improve returns.

The Fund's Investment Strategy Statement specifies that the Fund may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index linked bonds, cash, property and alternative products (e.g. private equity), either directly or through pooled funds.

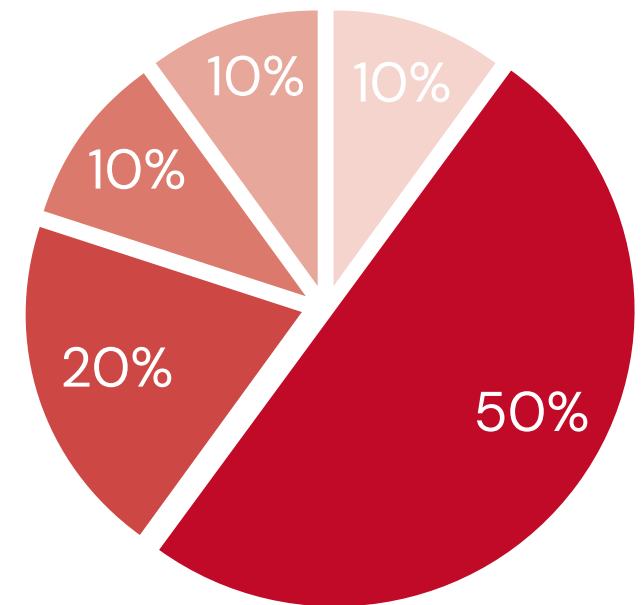
The Fund may also make use of derivative type investments either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

Below is a list of bodies that the pension fund is a member;

- Local Authority Pension Fund Forum (LAPFF)
- London Pension Fund Forum (LPFF).
- Local Authority Pension Performance PIRC (LAPPA)
- London Collective Investment Vehicle (LCIV).

Benchmark Asset Allocation

To support the Fund's objective of having enough assets to cover its liabilities and achieving this within acceptable risk parameters the Panel, in conjunction with the Fund's investment advisor, has set the following benchmark asset allocation:



Multi Asset	10%
Global Equity	50%
Bonds	20%
Property	10%
Diversified Alternatives	10%

Actual Asset Allocation

Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to organisations goals, risk tolerance and investment horizon, each asset class will behave differently over time, reducing the impact of poor performing assets overall fund. Fund managers are set risk parameters to provide them with some flexibility in achieving the asset allocation to allow them make the most of market conditions. They must seek approval for any positions that go beyond the agreed risk parameters set for their strategies. The following tables compare the actual asset allocation as at 31 March 2019 to the benchmark and the change from the previous financial year.

Asset Class Breakdown	Value		Weight		Target Allocation
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	2018/19
	£m	£m	%	%	%
UK equities	194	204	15.2	15	15
Overseas equities	459	497	36	37	35
Bonds	228	234	17.9	18	20
Property	130	140	10.2	11	10
Private Equity - Wilshire	7	6	0.7	0	-
Private Equity - LGT	2	3	1.7	0	-
Private Equity - Partners Group	106	114	8.3	9	10
Cash	27	13	2	1	-
Multi Asset Strategy	123	121	9.7	9	10
Total Scheme	1,275	1,332	100.0	100.0	100.0

Over the year, the scheme assets increased by £57m. Following strong performance by equities over 2018/19, the Fund's overall equity allocation was overweight relative to the target allocation at the end of 2017/18. However investment and performance in UK equities over 2018/19 has shown significant growth coupled with rebalancing in overseas equities, has brought the two respective classes closer to the overall asset class of Global Equities closer to the prescribed benchmark of 50%.

Pool Reporting

The following investment managers have managed mandates during the year:

Investment Managers 18/19	
Passive Equity	Blackrock
UK Aggregate Bonds	Fidelity
Global Emergency Market Equity	Fidelity
Multi Asset Credit Bonds	Fidelity
Multi Asset	Invesco Perpetual
Property	CBRE
Diversified Alternatives	Partners Group
	LGT Capital Partners
Private Equity	Wilshire

The table below shows pool setup and on-going costs paid to London Collective Investments Vehicle (LCIV). This includes four charging mechanisms.

1. Development funding charge (DFC), introduced to cover the cash flow imbalance between annual revenues and annual costs, until the LCIV generates sufficient management fee income to cover annual operating costs.
2. Annual service charge, the £25,000 annual service charge is akin to a membership fee providing access to the breadth of LCIV services. The charge is invoiced at the start of each financial year.
3. Capital registration fee, the initial fee paid to the LCIV to register the Royal Borough's interest in the pool.
4. Fees, the Borough's fund has over £583m in passive equities, which sits outside of the ACS vehicle operated by the LCIV. The investment is merely under oversight by the LCIV, and as such, they charge the fund fees based on these holdings.

Year	Development Funding Charge £	Annual Service Charge £	Capital Registration Fee £	Blackrock Passive funds holding fees £
2019/20				
2018/19	65,000.00	25,000.00		
2017/18	75,000.00	25,000.00		33,413.47
2016/17		25,000.00		
2015/16		25,000.00	150,000.00	
Total to Date		100,000.00	150,000.00	33,413.47

Breakdown of Scheme Assets by Manager as at 31 March 2018

The market value of holdings and their individual benchmarks are shown in the table across:

Fund Values	2017/18 Market Value (£m)	Weight (%)	2018/19 Market Value (£m)	Weight (%)	Benchmark
Blackrock- Passive Global Equities	538	42.9	583	43.8	Composite Benchmark
Fidelity	122.7	9.8	127.7	9.6	50% iBoxx sterling Non-gilts Index + 50% iBoxxGilts Index
Fidelity GMAC	105.3	8.4	106.6	8.0	Absolute Return of 3% p.a.
Fidelity GEME	121.5	8.5	117.6	8.8	MSCI Emerging Markets
CBRE- Property	135.2	10	137.9	10.4	AREF/IPD UK QPFI All Balanced Property Fund Index
Royal Borough Of Greenwich	14.4	1	14	1.1	-
Partners Group	105.6	8.3	114	8.6	Absolute Return of 7-11% p.a.
Invesco	123.1	10	122	9.2	3m LIBOR
Private Equity: Wilshire	6.7	0.7	6.3	0.7	MSCI World
Private Equity: LGT Capital Partners	2.3	0.4	2.7	0.0	MSCI World
State Street Global Markets	0.3	0	N/A	0.0	MSCI AC World Equity Index
London CIV	0.2	0	0.2	0.0	-
Total	1,275	100	1,332	100	Composite Benchmark

A review of the performance of each of the managers is provided later in this report.

Manager Performance

The following table shows the one-year, three-year, and five-year performance of the Fund's managers.

Performance to 31 March 2019	1 year (%)			3 years (% p.a.)			5 years (% p.a.)		
	Fund	Benchmark	+/-	Fund	Benchmark	+/-	Fund	Benchmark	+/-
Total Scheme	4.3	6.4	-1.9	8.2	10	-1.6	7.2	8.4	-1.1
State Street – Passive Global Equities	3	3.8	-0.8	4.5	4.2	0.3	5.8	5.6	0.1
Fidelity – Bonds	10.5	8.1	2.4	8.6	7.9	0.7	8.6	7.9	0.7
Fidelity - GMAC	1.1	3	-1.9	3	3	0		N/A**	
CBRE – Property	5.7	4.8	0.9	6.2	6.1	0.1	9.7	9.1	0.6
Partners Group	3.5	9	-5.5						
Invesco	-1.92	0.8	-2.1						
BlackRock – Passive Global Equities	8.6	8.6	0						
Fidelity - GEME	-3.9	0	-3.8						

Overall, the Fund's assets performed in line with the benchmark over 1, 3 and 5 year periods.

Blackrock

The fund portfolio performed effectively in line with the composite benchmark. The portfolio consists of an allocation to the UK Equity fund, World ex-UK Equity fund and RAFI 3000 fund. The three underlying funds performed broadly in line with their respective benchmarks.

Fidelity - Bonds

This fund continues to outperform the benchmark over both shorter and longer time periods. It delivered an absolute return of 10.5% over the 12-month period and outperformed its comparative market index by 2.4%. Outperformance over the 3-year period was 0.7% and 0.7%.

Fidelity – Global Multi Asset Credit Bonds (GMAC)

The GMAC delivered an absolute return of 1.1% over 12 months, underperforming its target return of 3.0% p.a. by 1.9%, however delivered a 3.81% in the last quarter. The key contributor to the fund's performance were the allocation to Global investments grade corporate instruments. US leveraged loans and emerging market debt. Allocation to Investment Grade credit was increased, whilst allocation emerging market was reduced as the fund profited from stretched valuations in the asset class.

Fidelity – Global Emerging Markets Equity (GEME)

During the year, the A-ACC-USD class of the FAST Emerging Markets Fund returned -3.9% in net, underperforming the MSCI Emerging Markets (Net Total Return) Index, which delivered -0%. Both long and short positions weighed on relative performance. From a sector perspective, energy and consumer discretionary holdings detracted from performance. However, stock selection in the industrials sector added value.

Within consumer discretionary, the position in Steinhoff International fell due to accounting irregularities. The holding in Brazilian private education provider

Estacio Participacoes declined. The country's markets fell after a truckers' strike and protests brought supply of goods to a standstill in the country, negatively impacting shares of many large companies. Emerging markets may be negatively impacted by the strong US dollar, trade war concerns, continued US monetary policy tightening and geopolitics. A supportive environment for certain commodities such as oil should benefit export oriented developing countries. Oil supply disruptions are likely to be supportive for the Russian and Middle Eastern

economies. From a long-term perspective, emerging markets continue to offer many opportunities, supported by structural growth drivers such as urbanisation and lifestyle changes.

Invesco

The fund generated an absolute return of -1.31% compared to its reference index, which returned 0.80% over the 12 months to end March and returned a positive return of 2.03% over Q1 2019 versus a 0.22% return by its reference index.

Performance was positive over the quarter. Given the "risk-on" market environment, our more directional credit and equity ideas worked well. For example, our Global, Asian, and Japanese equity ideas and our US high yield and selective credit ideas were all in our top contributing ideas over the quarter.

Partners Group

The fund returned a negative return of 5.5% over the 12 months to 31 March 2019. Partners Group's target is to deliver a net IRR of 7-11% p.a.

In March, PG RBG IC's valuation increased by 2.8%. All asset classes contributed to the positive performance in March, with private equity direct investments being the main drivers. Similar to last month, the positive NAV development

predominantly stemmed from the portfolio's private equity direct investments.

In light of the recent merger announcement with IPAN Group in January 2019, the company will be able to gain immediate presence in the German market, which will help drive its global growth strategy. The merger is also expected to provide further cost synergy potentials and upside value creation opportunities for the company.

On the investment side, capital was committed to direct real estate asset Project Moon, a 137'739sqm actively managed mixed-use project located in Beijing, China. The business plan involves converting the retail podium to office space, upgrading the office towers to class A standard, as well as negotiating lease renewals and increasing rents to market level. The property is situated in the heart of Zhongguancun, the 'Silicon Valley' of China, and is directly linked to the metro station through the basement. Partners Group considers this off-market opportunity attractive due to the below-market entry price and prior experience with repositioning similar projects.

CBRE

Over the year, the portfolio performed well, producing a total return of 5.7%, outperforming the benchmark return of 4.8%; performance continues to be positively impacted by investments in the industrial and 'alternative' commercial sectors, however, this has been offset by weak performance from investments in the retail and office sectors; retail in particular has suffered due to continued retailer CVAs and administrations. Similarly, over the past three years, the portfolio has produced an annualised return of 6.2% per annum, outperforming the benchmark return of 6.1% per annum.

From a sector exposure perspective, the portfolio is well positioned, with an above benchmark weighting to both the industrial and 'alternative' commercial sectors (including student accommodation and leisure), whilst remaining underweight to the retail and office sectors. Investment activity over the year has increased exposure to funds with defensive qualities; longer dated income incorporating inflation-linked or fixed rental uplifts, protecting real yields.

Private Equity

The Scheme invests in two portfolios:

- **LGT Capital Partners** – this Scheme invests in the Crown European Private Equity Fund.
- **Wilshire** – invests in three funds:
 - Fund VII US
 - Fund VII Europe
 - Fund VII Asia

As of the 31 March 2019, private equity holdings and the following capital called and uncalled figures.

Fund	Called Capital (m)	Uncalled Capital (m)
LGT Crown European Private Equity Fund- EUR	20.0	1.4
Wilshire Fund VII US- USD	16.1	0.5
Wilshire Fund VII Europe-EUR	6.4	0.3
Wilshire Fund VII Asia-USD	2.6	0.2

The net “Internal Rate of Return” and the “Total Value to Paid in” of each portfolio can be seen below.

Fund	IRR p/a	TVPI
LGT Capital Partners	9.32	1.64
Wilshire Fund VII US	7.36	1.59
Wilshire Fund VII Europe	5.65	1.41
Wilshire Fund VII Asia	7.12	1.47

Largest holdings

The following table gives the top 10 pooled fund holdings at 31 March 2019.

Top 10 Global Holdings as at 31 March 2019	Market value	Weight
	(£m)	(%)
1 - Blackrock Aquila Life	228.5	17.15%
2 - Blackrock Collective Investment UK Equity	207.5	15.58%
3 - Blackrock Aquila Life Glb 3000	147.0	11.04%
4 - CBRE Global Investors	144.7	10.86%
5 - Fidelity UK Aggregate	127.6	9.58%
6 - Invesco Perpetual	121.5	9.12%
7 - Fidelity Institutional Funds Emerging Markets Acc	117.4	8.81%
8 - Partners Ic Rbg Ltd	114.0	8.56%
9 - Fidelity Qualifying Investor	106.5	8.00%
10 - RBG	8.7	0.65%
	1323.4	99.35%

An asset liability study is utilised by the fund as a modelling tool for assessing funding and investment strategies in order to generate the optimal investment strategy. The asset liability modelling output provides the framework for making decisions around long term strategic benchmarks appropriate to the Fund's liabilities; developing a funding strategy and identifying triggers for dynamic changes to the investment strategy.

Further details about the investment strategy can be found in the Investment Strategy Statement (Appendix B).

Responsible Investment Policy

The Fund expects its investment managers to engage with the companies within their portfolio on social, environmental and ethical issues. The Fund's policy on Socially Responsible Investment can be found in the Investment Strategy Statement.

In 2013 the Fund became a member of the Local Authority Pension Fund Forum. This is a voluntary association of local authority pension funds which seeks to optimise local authority pension funds influence as shareholders, to promote Corporate Social Responsibility and high standards of corporate governance.

The Pension Fund issues a statement of compliance with the UK Stewardship Code for Institutional Investors which is reviewed on an annual basis. The Stewardship Code sets out seven principles of good practice on engagement with investee companies. The compliance statement is set out in Appendix D. The Fund's equity, bond and property managers have also issued statements of compliance with the Stewardship Code.

The Fund has delegated the exercise of voting rights to its investment managers and has set out Voting Intention Guidelines which it expects the manager to follow, where the fund is segregated. These guidelines are set out in annexe II of the Investment Strategy Statement (Appendix B).



Economic review

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Economic review

Global Economy

The year began with a positive January, as markets across the globe made gains, but February and January proved to be volatile. In January, the IMF raised its global economic growth forecast for 2018 and 2019, and equities in the US continued to respond positively to the tax cuts introduced by President Trump's administration. By the end of January, fears that US inflation and interest rates would rise more quickly than expected contributed to an equities sell-off. This began in the US, but, in early February, quickly spread to markets around the globe. Chinese markets were hit particularly hard. March saw the US Federal Reserve (Fed) make its anticipated rate rise of 25 basis points (bps). One notable source of geopolitical tensions appeared to lessen during the quarter, when the US administration agreed to a future meeting with the North Korean leader, in return for a pause in the latter's missile testing programme. However, further political and market turbulence followed in March when Russian and UK relations were strained by the poisoning of a former Russian spy on UK soil, and when President Trump announced tariffs on US imports of steel, aluminium, and, later, on some \$60 billion worth of unspecified products from China. The MSCI All Countries World index was down over the quarter.

After the volatility of the opening months of the year, the second quarter was, generally, a period of recovery for markets, despite the global trade tensions and political uncertainty in southern Europe. The MSCI All Countries World index gained over the period, with gains in sterling terms amplified as the pound weakened versus overseas currencies.

President Trump continued to dominate the agenda over the period. He met with North Korean leader Kim Jong-un, in a summit that discussed the 'denuclearisation' of North Korea. The dollar, as well as US and Asian stocks, gained as a result of the meeting. Less benign for Asian and other markets was the introduction of Trump's tariffs, which were designed to protect US industries. Billions of dollars' worth of Chinese technological goods, plus steel and aluminium from the EU, Canada and Mexico were all added to the tariff list. The Chinese retaliated with tariffs on US cars and soybeans; EU members also intend to respond in kind. Meanwhile, economic data from the US was positive, and the US Federal Reserve (the Fed) raised rates by 25 basis points (bps) in June; the dollar strengthened and the yield on US Treasury bonds rose.

In Europe, the two anti-establishment parties chosen by the Italian electorate struggled to form a coalition government, causing European equities to

slide. The European Central Bank (ECB) continued to see strength in the European economy overall and announced the tapered end to its bond-buying programme.

Equities in the UK fared better over the quarter than elsewhere in Europe. As Brexit negotiations continued, the UK was warned that there is a risk of exiting the EU without a deal.

The third quarter of the year was strongly positive for global equity markets, with the MSCI All Countries World index gaining 5.70% in sterling terms and 4.94% in euro terms. Emerging markets lagged, China being particularly weak. Europe also trailed the global average, but US equity indices, powered by bullish company earnings and strong economic data, surged ahead.

Encouraged by signs of strength in the US economy, the US Federal Reserve (Fed) raised rates by 25 basis points in September, the third rate rise of the year. The European Central Bank held its rates steady over the period, but in September began to further reduce its monthly bond purchases. Elsewhere, the Bank of Japan continued with its policy of very low rates and substantial quantitative easing.

Concerns over the Italian deficit and the planned budget of the new coalition government dampened

European equities over the three-month period. The Italian coalition government had been elected on promises of increased public spending, but the EU wants to see the country's deficit reduced. The stalemate in negotiations around Britain's exit from the EU also made investors wary.

The International Monetary Fund (IMF) downgraded its forecast for world growth from 3.9% to 3.7% in October but just a month later warned that the outlook had deteriorated further since then. GDP growth slipped to 0.2% in the third quarter from 0.4% in the quarter before, and the first composite PMI reading for December showed business growth sliding to a four-year low. The "yellow vest" protests in France contributed to the slowdown although the data also suggests that the underlying rate of economic growth has slowed. Germany remains a key concern, with activity falling sharply in the region's largest economy, and near-stagnation in manufacturing output.

Oil prices collapsed in the fourth quarter as fears over an uncertain demand outlook following the equities sell-off exacerbated concerns over rising stocks and the potential for significant oversupply. The Brent gauge fell 35% to \$53.80 a barrel (having reached a four-year high of over \$86 a barrel at the start of the quarter) while the WTI price slumped 38% to \$45.41 a barrel. In its December meeting, OPEC agreed a production cut of 1.2 million barrels

a day, starting in January for an initial six-month period, although it remains to be seen whether the proposed cut will balance the market.

The combination of slumping oil and other commodity prices and weakening expectations of long-term economic growth weighed on market expectations of inflation. This contributed to the spread narrowing between 2-year and 10-year government bond yields in the US (4 bps), Japan (10 bps), Germany (14 bps) and the UK (23 bps). Inflation expectations fell particularly sharply in the US, where the 10-year breakeven rate fell 43 bps over the quarter to 1.71%, a level not seen since mid-2017.

The strength of the fourth-quarter rally was enough to drive 10-year yields lower over the year in Japan (5 bps) and Germany (23 bps). The 10-year yield in the UK ended a volatile year 9 bps higher and in the US rose by 27 bps as the Federal Reserve raised interest rates four times in the year. The December rate hike took place against the unusual backdrop of many equity and credit markets plummeting towards their worst annual performance since the financial crisis. Adding a dovish tilt to the December move, Fed Chairman Jerome Powell commented, "*There's significant uncertainty about both the path and the ultimate destination of any further rate increases*".

UK Economy

UK equities reached record highs in January, but fell thereafter to end the period down. The global sell-off in February, and announcement of trade tariffs by the US in March, kept markets down. In other news, Brexit dominated headlines throughout the period, which culminated in a transition deal finally being agreed with the EU. This will see the UK remain a member of the bloc until the end of 2020. Economic news over the 1st quarter was mixed. On the downside, fourth quarter of 2017 GDP growth was confirmed at 1.4% year on year, the slowest quarterly growth since 2012, and consumer spending in January and February suffered year-on-year declines. However, there was some upbeat news: labour productivity in the third quarter of 2017 accelerated at the fastest rate since 2011; wage growth in the three months to January was at a two-and a-half-year high; unemployment in the same period fell to 4.3% – a 42-year low; and retail sales in February rose by a more-than-expected 0.8% month on month. On the policy front, the Bank of England's Monetary Policy Committee voted 7:2 in support of maintaining interest rates at 0.5% at its March meeting, which increased investors' anticipation of a rate rise in May. Inflation in February fell to 2.7%, below the expected rate and the lowest since July 2017, but still above the central bank's 2% target. Meanwhile, sterling posted its best quarterly performance against the US dollar in almost three

years and was up against the euro.

Equities in the UK had a strong second quarter, with the benchmark FTSE 100 index showing its best performance since 2013. The index also reached a record closing high in May, after an improvement in trade relations between the US and China led to a surge in the US dollar, helping those companies that generate most of their revenues in dollars. Brexit talks continued throughout the period, with the likelihood of single-market access for both UK financial firms as well as export goods becoming increasingly unlikely, unless some advancement is made on the more complicated aspects of the talks, specifically the Irish border. In the economy, the final reading for first-quarter GDP showed that growth on a quarterly basis outmatched expectations, at 0.2%. However, the UK's annual growth disappointed and was substantially below its European counterparts. Unemployment figures continued to impress, with the jobless rate remaining at an over-42-year low of 4.2% throughout the period. Strong job creation did, however, coincide with lacklustre wage growth in the three months to April, down to 2.8% year on year. Moreover, retail sales and the services sector both grew more than was anticipated in May.

From a monetary perspective, weaker-than-expected data releases persuaded the Bank of England's Monetary Policy Committee to keep interest rates on hold at its May and June meetings.

Inflation figures over the quarter showed that consumer prices rose by 2.4% in April and May, the lowest in over a year. Additionally, sterling had a weak quarter, its worst in almost two years, due in part to a strong US dollar, concerns over Brexit negotiations and an underperforming economy.

Over the 3rd quarter stock markets in the UK were down marginally. The FTSE 100 hit its high for the period in mid-August after export-oriented companies were given a boost by the pound plunging to a one-year low. Thereafter, stocks were dragged on a downward trend by uncertainty around Brexit, US China trade tensions and concerns over the Turkish currency crisis. A modest recovery in sterling was a further headwind for large-caps. A rally in the second half of September helped the index to recover some losses. Figures released over the quarter suggested that the UK economy was witnessing a slight pickup in activity. Although the final reading for second quarter GDP growth came in below the previous estimates, unemployment figures were upbeat over the quarter, with the jobless rate falling to 4% in the three months to June – a 43-year low – and remaining there in the next period. In news for August, growth in the manufacturing sector was at a 25-month low, although growth in retail sales and services-sector activity both surpassed expectations. As widely predicted, the Bank of England raised interest rates at its August meeting to 0.75%, owing to improving economic fundamentals

and as inflation remained consistently above the 2% target; consumer prices rose by 2.5% (annualised) in July. Sterling was down against both the US dollar and the euro over the period.

GDP growth slowed to 0.4% in the three months to October; down from 0.6% in the three months to September. Consumer spending painted a brighter picture as retail sales grew by a stronger-than-expected 1.4% in November compared with October, reflecting the growing importance of Black Friday. Retail sales over the three months to November increased by 0.4% compared with the previous three months. CPI inflation fell to a 20-month low of 2.3% in November (from 2.4% in the two prior months) as the sharp slide in oil prices offset continued upward pressure from most broad categories of goods and services. Core CPI inflation declined from 1.9% to 1.8%. The labour market remains buoyant, with an unemployment rate of 4.1% in the three months to October virtually unchanged from the summer. Average weekly earnings increased by 3.3% in the three months to October compared with a year earlier. Despite the strong labour market building domestic inflation pressures, the Bank of England left policy unchanged over the quarter as it pointed to a softening outlook for global growth and considerably intensified Brexit uncertainties. In the face of mounting uncertainties, markets have all but priced out expectations of a rate hike in 2019 that might otherwise be justified by data.



Scheme administration report

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Scheme administration report

Staff and Duties

The pension service comprises 12.6 full time equivalent (FTE) staff including a trainee who joined the team in October 2018, a vacant senior officer post and a temporary project based position. The team covers both the employing and administration duties for the Local Government Pension scheme (LGPS) in the Royal Borough of Greenwich Pension fund and employer duties in respect of Greenwich employees who are members of the NHS Pension Scheme and the London Pension Fund Authority (LGPS) pension fund.

The services provided by the pension section consist of:

- The administration of the Local Government Pension Scheme (LGPS) in accordance with relevant legislation.
- The running and maintenance of the Pension Payroll to ensure accurate and timely payment of monthly pensions to 7,024 pensioners and their dependants.
- The maintenance of accurate records for each member of the pension scheme (including the employing authority and every admitted body that contributes to the Royal Borough of Greenwich Pension Fund).
- The provision of key employee data to the NHS and London Pension Fund Authority.
- The provision of information and key data to scheme members and other bodies associated with the LGPS.
- The provision of guidance to the Pension Fund Investment and Administration Panel on pension legislation and the options available.

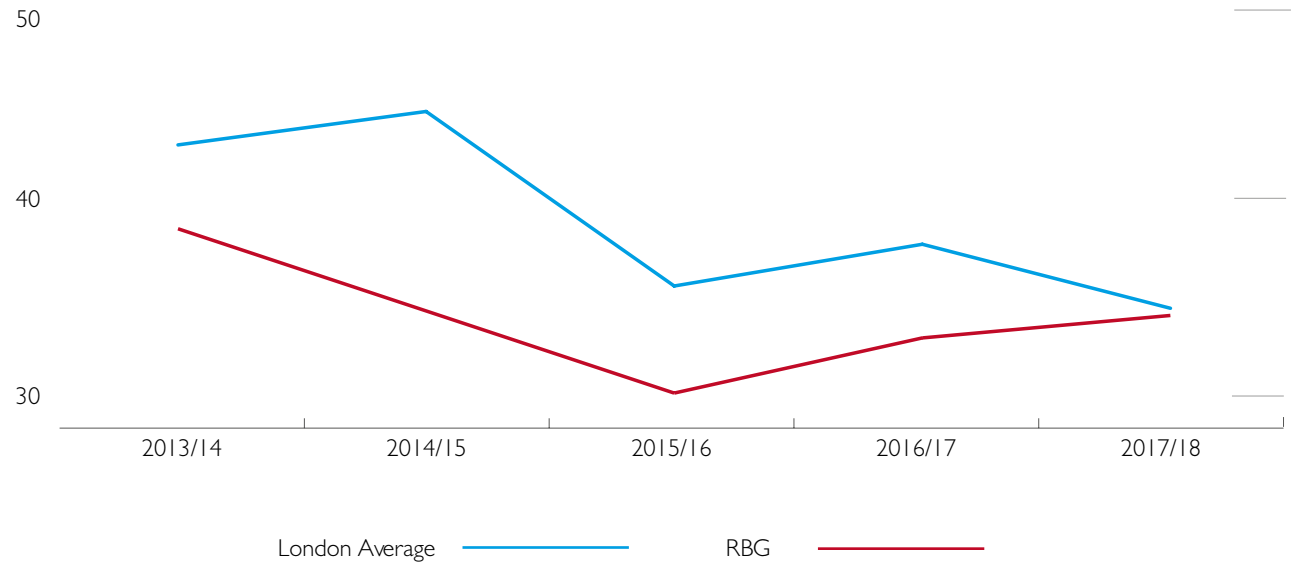
The pension service has the following aims at its core:

- The improvement of standards and efficiency and to keep costs under scrutiny.
- To develop plans to increase IT efficiency and give members more options with regards to accessing details of their pension benefits and other information.
- To train and develop staff in respect of any changes to legislation and to meet the service requirements.
- To achieve a high standard with regards to service delivery and customer service.

Value for Money

The scheme continues to offer value for money to employers and members, by making sure that both Pension Board and Panel have the right skill set and knowledge to ensure governance of the fund; whilst also making sure that the investment and administration teams are, appropriately and adequately resourced to meet the day-to-day challenge for running the Fund. The Table below show Royal Borough of Greenwich Pension administration cost per member against London LGPS scheme.

Administration Expenses Per Member



Year in Review

2018/2019 continued to be a challenging year for the team who have strived to meet the high demands of the service. Demands for information from scheme stakeholders remained high. In particular, enquiries in respect of the payment of deferred pensions due to the lowering of the earliest age for payment of deferred benefits from age 55 from 60.

The pension team have experienced considerable change to staffing in the year under review. To help support the change in work demands and to future-proof the service a Pensions Operations Manager was successfully recruited in June 2018. However, the recruitment and retention of experienced pension staff continues to prove difficult and continues to impact the team's performance with only 1 of the 2 senior pension officer vacancies being permanently filled since the end of September 2018. The remaining post is currently out for recruitment and a further trainee post remains vacant and will be advertised when senior support has been secured.

Work has been prioritised to deliver the service's core functions in particular, retirement cases, deceased cases, provision of pension estimates and the setting up and timely payment of monthly pensions. Targeted training has been provided both internally and externally to support staff in their

development and transfer of skills. This will continue to remain a key priority for the management team.

Scheme membership and associated workload

The number of pensioners and dependants has increased by 2.96% increasing workloads in respect of the setting up and payment of monthly pension payments. Active membership remains high with 1746 new starters being processed in the 2018/2019 year. Members changing positions continues to significantly impact workloads for the data team, with a total 539 cases being processed in 2018/2019 against an average of 84 cases for the previous 2 financial years.

The team has continued to work with HR and departments undergoing restructuring, involving the production of redundancy estimates, pension estimates and providing information and guidance to support both the employer and members affected. The team has worked very hard to achieve these within tight deadlines and allowed re-organisations to continue at a time of uncertainty.

With the earliest age that members can access their pension being 55 rather than age 60 being expanded to all former scheme members, the number of estimates and enquiries received from employers and members has continued to remain at

a demanding level. The team provided 807 pension estimates during the year compared to 497 the previous year, a 62.3% increase over the year.

Annual benefit statements for both active and deferred members were provided to members by the statutory deadline of 31 August 2018. End of year information was also provided to the NHS and London Pension Fund authority to enable benefits statements to be provided to members of those schemes by the statutory deadline.

Over the course of the year, there have been no Ombudsman disputes. The number of service complaints has remained minimal with these being resolved before progression to the formal internal dispute procedure. There has been 1 stage 2 case under the internal dispute procedure.

The table below summarises the numbers of new pensioners analysed by ill health, early and normal retirements.

Retirement category	Number of new pensioners
Early	148
Ill health	14
Normal	147
Total	309

Legislation

The LGPS amendment regulations 2018 came into force on 14th May 2018 with further amendments coming into force with effect from 10th January 2019. The main changes being the lowering of the minimum age to age 55 for payment of former member's deferred benefits, the alignment of pre and post AVC contracts, changes to admission agreements including the requirement to pay an exit credit. These changes were communicated as appropriate to team members, scheme members and scheme employers.

The team have needed to take on board changes to factors provided by the government actuaries department (GAD) in particular in respect of transfers. This has also meant that some categories of transfers were put on hold until the factors and covering guidance was issued and resulted in backlogs of this type of work.

The General Data Protection Regulations and Data Protection Act 2018 came into force on 25 May 2018 and privacy notices, scheme communications and procedures have been reviewed to ensure compliance.

The complexities of tapered annual allowance continues to require support for members who have exceeded their personal tax limits. Tapering

has caused a significant increase in the numbers of members becoming subject to a tax charge. In addition to providing the necessary information and options available to these members and board, senior staff have carried out held 1-2-1s with the individuals concerned.

Consultations such as the new fair deal consultation and implications of the cost cap exercise have been reviewed and communicated as appropriate with scheme employers.

Projects

- **Data Cleansing** – As required by the pension regulator a data quality exercise took place in September 2018 to measure the fund's common and scheme specific data in line with the pension regulators requirements, resulting in a 93.1% pass rate for common data and 82.6% pass rate for scheme specific data. As part of our data improvement plan a temporary project based position has been created within the team to support the improvement of our data and reports produced from the exercise form the basis of our data improvement plan.
- **GMP Reconciliation** - The Guaranteed Minimum Pension (GMP) reconciliation project continues to remain a priority project for the administration team. The team have continued to work with a third party in regards of this project providing responses and decisions in respect of cases identified for further investigation.
- **Pension and Payroll Re-Tender** – Under OJEU Regulations it has been necessary to retender for the pension administration and payroll system. The contract went out for tender in January 2019.

The year to come

- **The funds triennial valuation** – the provision of accurate data and timely data will be a key priority for the team. Data will need to be provided to the fund actuary by the required deadline to ensure the accurate and timely setting of future contribution rates for scheme employers and the overall valuation of the fund.
- **Staff training and resilience remain a key objective for the pension management team.** Two members of staff are due to commence studying for formal pension qualifications with external and internal training sessions being planned for all members of the team.
- **The procurement of the pension administration & pension payroll system will be finalised, a plan formulated where necessary and steps put into place to ensure continuity of the service.**
- **GMP reconciliation project** - The team will continue to work with the selected contractor to finalise this project.
- **There will be increased focus on data quality to improve our data scores and to comply with the pension regulator's requirements.** A further data quality measure will take place in July 2019.
- **Further changes to pension legislation and pension wide legislation are expected in 2018/2019, including New Fair Deal and the introduction of the Exit cap.** The outcomes of the New Fair Deal consultation and subsequent implementation may further complicate work for the team with the potential introduction of deemed employers as an alternative to the admission body route. The team will need to understand and implement these changes, communicate the changes to all scheme stakeholders and the review of relevant processes and procedures. Changes are expected to Fair Deal legislation
- **Processes and procedures will continue to be reviewed to improve efficiency and performance.**



Actuarial report on funds

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Actuarial report on funds

The fund undergoes a full actuarial valuation every three years. This determines the Fund's funding level and the employer contribution rates required to restore the fund to a 100% funding level (i.e. the Fund has enough assets to cover 100% of its liabilities). The last valuation was carried out as at 31 March 2016 and this came into effect in 2017/18.

Below is a statement from the Fund's actuary summarising the 2016 valuation. The full 2016 Actuarial Valuation report can be found on our website.

Statement by the Fund's Actuary Introduction

The last full triennial valuation of the Royal Borough of Greenwich Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2017.

2016 Valuation Results

Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- The Fund as a whole had a funding level of 91% i.e. the assets were 91% 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 deficit of £105m.
- To cover the cost of new benefits and to pay off the deficit over a period of 20 years, a total contribution rate of 18.2% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits being earned plus any adjustment required to pay for their individual deficit.

Assumptions

The key assumptions used to value the benefits at 31 March 2016 are summarised below:

Assumption	31 March 2016
Discount rate	5.5% p.a.
Pension increases (CPI)	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post retirement mortality assumptions adopted are the S2PA series, making allowance for CMI 2015 projected improvements and a long term rate of improvement of 1.5% p.a.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

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

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation-funding model.

Overall, we estimate that the funding position should be improved when compared on a consistent basis to 31 March 2016 but the final position will depend on the assumptions adopted as part of the 2019 valuation process.

The next formal valuation will be carried out as at 31 March 2019 with new contribution rates set from 1 April 2020.

Graeme Muir FFA

Partner, Barnett Waddingham LLP



Governance

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Governance

Delegated Powers and Responsibilities

The Royal Borough of Greenwich is the Administering Authority for the Pension Fund. The Authority has delegated to the Pension Fund Investment and Administration Panel various powers and duties in respect of its administration of the fund. The Panel is the formal decision making body of the Fund. It convenes a minimum of four times a year and in 2018/19 comprised four Councillors with full voting rights. Representatives from admitted bodies and the trades unions are able to participate as members of the Panel but do not have voting rights.

The general terms of reference of the Pension Fund Investment and Administration Panel are:

- To exercise all relevant functions conferred by regulations made under the Public Service Pensions Act 2013
- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund
- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.
- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.

- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.
- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.
- To receive reports as appropriate from the Pension Board

Day to day running of the Fund in respect of administering the membership through collecting contributions, paying benefits / pensions and maintaining all necessary records, is undertaken by the Director of Finance.

Further details on the delegation of functions are in the Fund's Governance Compliance Statement (Appendix A).

Panel Attendance in Municipal Year 2018/19

The table below shows the meeting attendance of Panel members and over the course of the year.

The Panel formally met on seven occasions during the year:

Training Councillor	2018			2019		
	18-Jun	16-Jul	17-Sep	10-Dec	25-Mar	
Peter Brooks (Chair)	✓	✓	✓	✓	✓	
Olu Babatola	✓	x	✓	x	✓	
Mick Hayes	N/A	x	✓	✓	✓	
Patricia Greenwell	✓	✓	✓	✓	✓	
Linda Bird	✓	N/A	N/A	N/A	N/A	

* = Absent

N/A = Not applicable (not on panel)

The Royal Borough of Greenwich Pension Board

The Royal Borough of Greenwich Pension Board met on five occasions during 2018/19. The purpose of the Board is to assist the administering authority of the Fund (the Royal Borough of Greenwich) in its role as scheme manager. The Board enhances scrutiny and governance within the Fund, helping to ensure that it complies with legislation and the law relating to pensions.

Pension Board Attendance in Municipal Year 2018/19

Training Title	2018			2019	
	Accounting and Auditing Standards	Actuarial Methods, Standards and Practices	Procurement	Accounting and Auditing Standards	
Attendee	09-Jul	17-Sep	10-Dec	25-Mar	
Councillor Gary Dillon	✓	✓	✓	x	
Councillor Norman Adams	*	✓	✓	✓	
Justin Jardine	✓	✓	x	✓	
Simon Steptoe	✓	✓	✓	✓	

* = Absent

N/A = Not applicable (not on panel)

Member Training

The first Myner's Principle (see Investment Strategy Statement Appendix B) states:

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest."

The Fund has a Knowledge and Understanding Policy and Framework (Appendix E) which states that:

“The Royal Borough of Greenwich recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.”

In light of the above, a programme of training sessions took place in 2018/19. This was attended by Panel Members and Officers. The training was run jointly by internal officers and the fund's investment adviser, drawing on additional external expertise as appropriate. It covered such areas as legislation and governance, procurement, investment performance and risk management, administration and actuarial

methods and practices. Further training will take place in 2019/20.

Policy and Process of Managing Conflicts of Interest

Committee members and officers directly involved with the administration of the Fund are required to declare any conflicts of interests at the commencement of all meetings. Where a conflict is considered material, the member or officer may be asked to either; refrain from participating, or exclude themselves from the meeting for the discussion and consideration of the agenda item.

Publication of Information

The dates of the Pension Fund Investment and Administration Panel meetings, along with meeting agendas, reports and minutes are available on the Royal Borough of Greenwich website.

Also available on the website are all reports and statements relating to the Pension Fund.

Fund account and net assets statement



ROYAL BOROUGH OF GREENWICH
PENSION FUND

Fund account and net assets statement

The Funds Accounts were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The following are derived from the audited financial statements of the Royal Borough of Greenwich Pension Fund for the year ended 31 March 2019.

The complete 2018/19 pension fund financial statements can be found in Appendix H.

Fund Account as at 31 March 2019			
2017/18 £000	Fund Account	Notes	2018/19 £000
Dealings with Members, Employers and Others directly involved in the Scheme Contributions Receivable:			
(33,890)	Employer Contributions	6	(36,026)
(12,624)	Member Contributions	6	(13,507)
(5,975)	Transfers in from Other Pension Funds	7	(2,318)
Benefits:			
42,066	Pensions	8	44,068
8,273	Lump Sum & Death Benefits	8	10,722
4,134	Payments to and on account of Leavers	9	4,194
1,984	Subtotal: Net (additions) / withdrawals from Dealings with Members		7,133
5,771	Management Expenses	10a	6,085
Returns on Investment			
(5,488)	Investment Income	11	(5,716)
(43,565)	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		(64,641)
(49,053)	Net Returns on Investment		(70,357)
(41,298)	Net (increase) / decrease in the Net Assets available for Benefits during the year		(57,139)

Net Asset Statement as at 31 March 2019

31 March 2018 £000	Net Asset Statement	Notes	31 March 2019 £000
Investment assets			
Pooled Investment Vehicle			
228,012	Fixed Interest	14	234,327
128,065	Property Unit Trusts	14	137,865
460,317	Unitised Insurance Policies	14	493,174
322,859	Other Unit Trusts	14	329,364
2,200	Property – Freehold	3&14	2,200
9,070	Private Equity	14&22	8,598
106,108	Diversified Alternative	14	114,564
367	Cash Deposits	19	118
7,226	Cash Equivalents	19	7,189
243	Other Investment Balances	18	162
Investment Liabilities			
(1,097)	Other Investment Balances	18	(1,140)
1,263,370	Net Investment Assets / (Liabilities)		1,326,421
Current Assets			
347	Contributions Due	18	413
220	Other Current Assets	18	119
12,355	Cash Balances	19	6,236
Current Liabilities			
(193)	Unpaid Benefits	18	(174)
(769)	Other Current Liabilities	18	(546)
11,960	Net Current Assets / (Liabilities)		6,048
1,275,330	Net Assets of the Scheme available to fund Benefits at the Period End		1,332,469

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2019. The triennial actuarial valuation of the Fund does take into account the long term liabilities of the fund. The full valuation report can be viewed on our website.

OTHER STATEMENTS AND PUBLICATIONS

Funding Strategy Statement

The Funding Strategy Statement (FSS) details the Fund's approach to meeting its defined benefit obligation. The FSS is reviewed in detail at least every three years in line with the triennial valuation. The review applicable to this year's account was undertaken in March 2016 and is included as Appendix C to this report.

The FSS has been developed along with the Fund's investment consultant Hymans Robertson, using data from the triennial valuation.

The FSS links to the Investment Strategy Statement, as it forms the basis for our investment strategy. The production of a Funding Strategy Statement is important, as the Fund must take a prudent, long-term view of how it will meet its defined benefit obligation, whilst maintaining stable contribution rates for employers.

Investment Strategy Statement (ISS)

Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations requires an administering authority to formulate an investment strategy which must be in accordance with guidance

issued by the Secretary of State. The Council is required to take proper advice when making decisions in connection with the investment strategy of the Fund, as taken from Hymans Robertson LLP. In addition to the expertise of the members of the Pension Fund Panel and Council officers.

The Pension Fund Panel seeks to invest in accordance with the ISS, utilising 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. Appendix C sets out the Investment Strategy Statement.

Communications Policy Statement

The Local Government Pension Scheme (Administration) Regulations 2013 require all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's policies for communicating with members, members' representatives, prospective members and employing authorities. It also aims to promote the scheme to all interested parties.

The Communications Policy Statement is reviewed at least annually. The latest statement can be found in Appendix F.

Knowledge and Understanding Policy and Framework

In 2011, CIPFA issued a Code of Practice on Public Sector Pensions - Finance Knowledge and Skills to complement the knowledge and skills requirement of the Myners Principles. This Statement has been published to demonstrate that the Fund has adopted the code of practice. The Current version can be found in Appendix E.

Statement of Compliance with UK Stewardship Code

The Financial Reporting Council (FRC) published the UK Stewardship code, setting out seven principles of good practice on engagement with investee companies, to which the FRC believes institutional investors should aspire. The aims of the code align closely with the fifth Myners' principle. The Fund's compliance with the Myners principles is detailed in the Fund's Investment Strategy Statement and this statement contributes to that compliance. The compliance statement is set out in Appendix D.

A large, illuminated green glass dome structure at night, with a city skyline visible in the background. The dome is made of many small glass panels and is lit from within, creating a bright green glow. The structure is built on a brick base. In the background, a city skyline is visible, including several tall buildings with lights on. The sky is dark, and the overall scene is lit with a mix of green and warm white lights.

Contacts and Glossary

ROYAL BOROUGH OF GREENWICH
PENSION FUND

GLOSSARY

Active Fund Management

A style of investment management where the Fund Manager is seeking to 'add value' by outperforming the benchmark through actively buying / selling stocks / bonds.

Active Equities / Active Manager

A style of investment management where the Fund Manager is seeking to 'add value' by outperforming a benchmark index

Active Members

Fund members employed by one of the employers in the fund who are currently paying contributions into the fund.

Actuarial Assumptions / Basis

The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More assumptions that are prudent will give a higher liability value, whereas more optimistic assumptions will give a lower value. The lower the discount rate, the higher the liabilities and vice versa.

Administering Authority

The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".

Admitted Bodies

Employers which voluntarily participate in the Fund, so that their employees and ex-employees are members. There will be an Admission Agreement setting out the employer's obligations.

Arbitrage

Buying and selling the same stock either in different markets or very frequently to generate a profit through short term market inefficiencies.

Asset Allocation

An investor has to decide which type of asset to buy – ordinary shares, bonds, domestic or foreign, property – or indeed simply to hold cash. Deciding what sort of mix of assets to have is termed asset allocation.

Asset Liability Modelling

Of increasing importance in pension fund management, particularly at the larger end of the market, the structure of the fund is analysed (usually by Consulting Actuaries) to assess how the fund's assets should be invested in order to best meet the fund's liabilities, age profile of the members etc.

AVCs (Additional Voluntary Contributions)

Additional Voluntary Contributions are contributions made by a member of an Occupational Pension

Scheme, to that Scheme, over and above the normal contribution level, to purchase additional retirement benefits.

Balanced

Where the asset allocation of a fund is spread (balanced) across a range of asset types.

Balanced Fund Management

Balanced Fund Management is the term used for the traditional approach to investment. It involves coming up with an appropriate balanced list of shares and securities by taking all the assets in a portfolio and balancing the various economic and stock exchange arguments against the investor's needs/appetite. A different approach, which has evolved in recent years, is to divide a portfolio into sections each of which is managed with a specific aim. This is particularly relevant to large pension fund portfolios, where sections may be allocated to fund managers with different styles – for example, one who is asked to maintain an index matched core, one to take risks in international equities, one who is very good at market timing, and so on. By dividing the portfolio in this way, aims can be much more specifically identified and maintained.

Benchmark

This is the standard against which performance of the fund is measured. The most usual benchmark for a portfolio of UK shares is the FTSE All-Share Index because it includes such a large percentage of all quoted shares. Funds which may be called upon very suddenly in the near future may have to be kept largely in cash or short term gilt edged stocks and a benchmark such as the money market interest rate would be appropriate, in this instance.

Bottom-Up

Bottom-up investing is an investment approach that focuses on the analysis of individual stocks and deemphasizes the significance of economic cycles and market cycles. In bottom-up investing, the investor focuses his attention on a specific company, rather than on the industry in which that company operates or on the economy as a whole.

Bloc

A trade bloc is a type of intergovernmental agreement, often part of a regional intergovernmental organization, where barriers to trade (tariffs and others) are reduced or eliminated among the participating states.

BREXIT

Brexit is an abbreviation for "British exit," referring to the U.K.'s decision in a June 23, 2016 referendum to leave the European Union (EU).

Capital Called

This is the proportion of the overall capital demanded by a private equity manager, which was promised to it by an investor. It is also known as a draw down or a capital commitment.

Common Contribution Rate

The Fund-wide future service rate plus past service adjustment. It should be noted that this will differ from the actual contributions payable by individual employers.

Corporate Governance

The term used, following recent Government sponsored reports, to describe the policies and procedures that the company's directors employ in their conduct of the company's affairs, and their relationships with shareholders to whom they are responsible, as managers of the shareholders' interests in the company, and of its assets.

Covenant

This is the promise of a certain amount of pension at retirement by an employer of a defined benefit

scheme. It represents the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Custodian

The custodian keeps a record of clients' investments and may also be responsible for trade settlements, collecting income, processing tax reclaims and providing other services.

Deferred Members

Members who have left employment, or have ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

Deficit

The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit Repair / Recovery Period

The target length of time over which the current

deficit is intended to be paid off. A shorter period will give rise to a higher annual past service adjustment (deficit repair contribution), and vice versa.

Derivatives

A derivative is an instrument which derives its value from value of an underlying financial instruments such as bonds, commodities, currencies, interest rates, market indexes and stocks.

Designating Employer

Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.

Discount Rate

The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit. A lower discount rate gives a higher liability value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate.

Dividends

A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. Dividends can be issued as cash payments, as shares of stock, or other property.

Emerging Markets

An emerging market economy is a nation's economy that is progressing toward becoming advanced. Emerging markets generally do not have the level of market efficiency and strict standards in accounting and securities regulation to be on par with advanced economies (such as the United States and Europe) but emerging markets will typically have a physical financial infrastructure including banks, a stock exchange and a unified currency.

Employer

An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and liabilities values for each employer are individually tracked, together with its future service rate at each valuation.

Employee Contribution Rate

The percentage of the pensionable pay of employees

which the fund pays as a contribution into the Pension Fund

Employer Contribution Rate

The percentage of the salary of employees that employers pay as a contribution into the Pension Fund.

ESG

Bottom-up investing is an investment approach that focuses on the analysis of individual stocks and deemphasizes the significance of economic cycles and market cycles. In bottom-up investing, the investor focuses his attention on a specific company, rather than on the industry in which that company operates or on the economy as a whole

Frontier Market

Less advanced markets from the developing world. Frontier markets are countries with investable stock markets that are less established than those in the emerging markets.

Funding Level

The ratio of assets value to liabilities value.

Fund Manager

A professional manager of investments in a Pension Fund, Insurance Company, Unit Trust etc.

Futures

A futures contract is a legally binding agreement, generally made on the trading floor of a futures exchange, to buy or sell a particular financial instrument at a predetermined specified date and price in the future.

Future Service Rate

The actuarially calculated cost of each year's build-up of pension by the current active members, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial assumptions.

GDP – Gross Domestic Product

Gross Domestic Product (GDP) is a broad measurement of a nation's overall economic activity. GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Gilt

This is a UK Government bond. It is a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest or coupon payments are made every six months throughout the

term of the gilt (its holder is paid the final coupon and principal on maturity, or "index-linked" where the interest payments vary each year in line with a specified index (usually inflation - RPI). Primary purchasers of gilts are pension funds and life insurers. Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.

Guarantee / Guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Initial Public Offering (IPO)

An initial public offering (IPO) is the first tranche of sale of stock by a private company to the public.

Index Tracking Funds (see also Passive)

Funds that are constructed to match closely the performance of a market index (e.g. FTSE All-Share Index and the FTSE World Index). This can either be achieved by full replication (buying every single index constituent) or sampling (buying a representative cross-section).

Internal Rate of Return (IRR)

This is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero. Internal rate of return is used to evaluate the attractiveness of a project or investment.

Letting Employer

An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

Liabilities

The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

LIBOR

LIBOR is a benchmark rate that some of the world's leading banks charge each other for short-term loans.

It stands for London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.

LGPS

The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Longevity

The length or duration of human life.

Maturity

A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Maturity Date

The forecast redemption date upon which the lender repays the investor.

Members

The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

MSCI

MSCI Inc is an investment research firm that provides indices, portfolio risk and performance analytics and governance tools to institutional investors and hedge funds.

Multi-Asset

A multi-asset class is a combination of asset classes (such as cash, equity or bonds) used as an investment. A multi-asset class investment would contain more than one asset class, thus creating a group or portfolio of assets. The weights and types of classes will vary according to the individual investor.

Myners' Review

In the year 2000, the UK Government commissioned a "Review of Institutional Investment in the United Kingdom". The Review was undertaken by Paul Myners and is referred to as "Myners". In response to the Myners' proposals, the Government initially issued a set of ten investment principles, which has subsequently been revised to six. Each pension fund must demonstrate how it complies with this "Myners" report and this can be found in the ISS.

Option

An option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price during a certain period of time or on a specific date.

Passive

A style of investment management where no active fund management is undertaken – investments are made in line with a designated benchmark or index.

Past Service Adjustment

The part of the employer's annual contribution which relates to past service deficit repair.

Pension Fund

An investment fund within a Pension Scheme which is intended to accumulate during an individual's working life from contributions and investment income, with the intention of providing an income in retirement from the purchase of an Annuity. There may be an option of an additional tax free cash lump sum being paid to the individual.

Pensioner Member

Members who are drawing benefits from the fund. They include former active members drawing their pension along with widows, widowers and other dependants of former active members.

Percentile

In making an analysis of the result of any activity, the figures may be set out as percentages, covering the range of 0 – 100%. Percentiles are split into 1% bands.

PMI

The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about

current and future business conditions to company decision makers, analysts, and investors.

Pooling (Actuarial Valuations)

Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Pooling (Funds)

Pooled funds are funds from many individual investors that are aggregated for the purposes of investment, as in the case of a mutual or pension fund. Investors in pooled fund Investments, benefit from economies of scale, which allow for lower trading costs per investment, diversification and professional money management.

Portfolio

A portfolio is a grouping of financial assets such as stocks, bonds and cash equivalents, as well as their mutual, exchange-traded and closed-fund counterparts. Portfolios are held directly by investors and/or managed by financial professionals.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs. their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.

QE – Quantitative Easing

This is a process whereby Central Bank creates new money electronically, to purchase financial assets such as government bonds, thereby boosting money supply in the economy and return inflation to target.

Quartile

See Percentile - if these results are then broken down into four equal sections, they are called 'quartiles'. The first quartile will contain the results of the top 25% of the list, the second quartile below that, then the third and the fourth quartile.

Rates and Adjustments Certificate

A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.

Risk Averse

Risk averse is a description of an investor who, when faced with two investments with a similar expected return (but different risks), will prefer the one with the lower risk.

Risk / Return

In markets which are efficient (such as the market for the larger shares on the major stock exchanges) the prices of the various shares will reflect the risks run in each case. That is, there is a trade-off between risk and return. The higher the risk, the more the return should be. Investors, when considering a particular investment, should always consider the risks involved in buying a particular security, as well as its possible returns. The risk / return trade-off should be one appropriate to the needs or risk appetite of that

particular investor.

Scheduled Bodies

Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, health, university lecturers and police and fire officers).

Securities

The general name for stocks, shares and bonds issued by the company to investors.

Short Selling

Short selling is the sale of a security that is not owned by the seller, or that the seller has borrowed. Short selling is motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit

Solvency

In a funding context, this usually refers to a 100% funding level, i.e. where the assets value equals the liabilities value.

SRI

Socially responsible investment, is an investment process that excludes investment in companies whose core business activities involve animal testing, pollute the environment or comprise alcohol, tobacco and weapons manufacturing or where management practices achieve profit at the expense of human rights and equality. It is otherwise termed ethical investment.

Stabilisation

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Theoretical Contribution Rate

The employer's contribution rate, including both future service rate and past service adjustment, which would be calculated on the standard actuarial basis before any allowance for stabilisation or other agreed adjustment.

Top Down

Top-down investing is an investment approach that involves looking at the "big picture" in the economy and financial world and then breaking those components down into finer details. After looking at the big picture conditions around the world, the different industrial sectors are analysed in order to select those that are forecasted to outperform the market. From this point, the stocks of specific companies are further analysed and those that are believed to be successful are chosen as investments.

Total Value to Paid-In (TVPI) Multiple

This is also known as the investment multiple. It is calculated by dividing the fund's cumulative distributions and residual value by the paid-in capital. It gives a potential investor insight into the fund's performance by showing its total value as a multiple of its cost basis. It does not take into account the time value of money.

Uncalled Capital

This is the proportion of the overall capital that the investor has agreed to invest in the Scheme, but which has not been collected by the private equity manager.

Valuation

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years, but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Value Added

Value-added describes the enhancement a company gives its product or service before offering the product to customers. Value-added applies to instances where a firm takes a product that may be considered a homogeneous product, with few differences (if any) from that of a competitor, and provides potential customers with a feature or add-on that gives it a greater sense of value.

Value at Risk

Value at risk (VaR) is a statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. It is a model that calculates the largest possible loss that an institution or

other investor could incur on a portfolio, given certain probabilities.

Volatility

This is the tendency of a share to move up and down. A very volatile security is one that has moved up or down more sharply than is normally the case in the market concerned. Volatility is very frequently used as a measure of risk on the grounds that a share which moves more sharply than others can be regarded as being much more risky. A steady share has less risk.

Weight

Weight is the percentage composition of a particular holding in a portfolio. The weights of the portfolio can simply be calculated using different approaches: the most basic type of weight is determined by dividing the dollar value of a security by the total dollar value of the portfolio. Another approach would be to divide the number of units of a given security by the total number of shares held in the portfolio.

COMMUNICATIONS

Registered Address

10 South Colonnade
Canary Wharf
E14 4PU

Tel: **0800 917 4487**

Website: **www.pensions-ombudsman.org.uk**

Administration Enquiries

Email: **pensions@royalgreenwich.gov.uk**

Website: **Pension Fund Administration**

Tel: **020 8921 4933**

Investment Enquiries

Email: **pension-investment@royalgreenwich.gov.uk**

Website: **Pension Fund Investments**

Tel: **020 8921 6181**

Complaints and Advice

The Pensions Advisory Service

11 Belgrave Road

London

SW1V 1RB

Tel: **0800 011 3797**

Website: **www.pensionsadvisoryservice.org.uk**

The Office of the Pensions Ombudsman

10 South Colonnade

Canary Wharf

E14 4PU

Tel: **0800 917 4487**

Website: **www.pensions-ombudsman.org.uk**



Governance Compliance Statement

Background

The Local Government Pension Scheme (Administration) Regulations 2013 paragraph 55 requires all administering authorities to produce a Governance Compliance Statement. This statement must set out whether the administering authority delegates its function and if so, the terms, structure and operation of the delegation. The administering authority must also state the extent to which a delegation complies with guidance given by the Secretary of State.

Details of the terms, structure and operational procedures relating to the Pension Board are also to be provided.

Any revisions to this statement will be approved and published by the Pension Fund Investment and Administration Panel.

Delegation Arrangements

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund. Elected Members are therefore, responsible for the stewardship of the Fund. This responsibility has been delegated to the Pension Fund Investment and Administration Panel, a sub-committee of Council.

Day to day running of the Fund in respect of administering the membership through collecting contributions, paying benefits / pensions and maintaining all necessary records, is undertaken by the Director of Finance.

The Pension Fund Investment and Administration Panel

The Pension Fund Investment and Administration Panel convenes a minimum of four times a year and contains four Greenwich Councillors with full voting rights. Representatives from admitted bodies and the trades unions are invited to participate as members of the Panel, but do not have voting rights. The general terms of reference of the Pension Fund Investment and Administration Panel are:

- To exercise all relevant functions conferred by regulations made under the Public Services Pensions Act 2013

- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund.
- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.
- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.
- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.
- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.
- To receive reports as appropriate from the Pension Board.

Delegation of Functions in Detail

The following table explores the various functions in relation to their delegated level. The table splits the functions into three categories (management arrangements, corporate governance and other) and states the responsibilities of the Pension Fund Investment and Administration Panel, the Director of Finance and Fund Managers in respect of the functions.

Delegation (Management Arrangements)

Investment and Administration Panel Decision Making	Investment and Administration Panel Monitoring and Control	Director of Finance	Fund Manager
The Panel will determine the allocation of new money to the managers. Similarly, in the event that assets need to be realised in order to meet the Fund's liabilities, the Panel will determine the source of this funding.	The Panel will formally review the Fund's asset allocation as circumstances dictate, taking account of any changes in the profile of Fund liabilities. The Panel will take guidance from the investment consultant regarding tolerance of risk.	Preparation of annual budgets and business plan for the Fund.	
The Panel will be responsible for the appointment and termination of fund managers .	<ul style="list-style-type: none"> • The Panel will consider the need for any changes to the Fund's investment fund manager arrangements (e.g. replacement, addition, termination) at least annually. • In the event of a proposed change of manager, the Panel will evaluate the credentials of potential managers. • The Panel will conduct and conclude the negotiation of formal agreements with fund managers, custodians and other investment service providers. 	Management of a small in-house portfolio.	

Investment and Administration Panel Decision Making	Investment and Administration Panel Monitoring and Control	Director of Finance	Fund Manager
<p>The Panel will be responsible for any changes to the terms of the mandates of existing <i>fund managers</i>.</p>	<ul style="list-style-type: none"> • The Panel will consider and monitor the quarterly reports produced in respect of the <i>fund managers</i>. In addition to <i>fund managers</i>' portfolio and performance reporting, the Panel will also periodically receive and review information relating to the managers <i>risk</i> analysis. • The Panel will continually review the <i>fund managers</i>' mandates and their adherence to their expected investment process and style (e.g. <i>active, balanced, passive</i> etc). The Panel will ensure that the explicit written mandate of each of the <i>fund managers</i> is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, <i>risk</i> parameters and timescale. The Fund's <i>percentile</i> performance ranked against other <i>LGPS</i> funds will be assessed quarterly. 		<ul style="list-style-type: none"> • Investment of the Fund's assets. • Tactical <i>asset allocation</i> around the Fund's strategic <i>benchmark</i>. • Preparation of quarterly reporting including a review of investment performance. • Attending meetings of the Investment Panel. • Providing Fund accounting data concerning the investment portfolio and transactions.

Delegation (Corporate Governance)

Investment and Administration Panel Decision Making	Investment and Administration Panel Monitoring and Control	Director of Finance	Fund Manager
The Panel is responsible for Socially Responsible Investment (SRI), corporate governance and shareholder activism.	The Panel will consider the Fund's approach to social, ethical and environmental issues of investment, corporate governance and shareholder activism.		Implementation of SRI in line with the Fund's policy.
The Panel is responsible for the maintenance of the ISS , including Myner's disclosures.			

Delegation (Other)

Investment and Administration Panel Decision Making	Investment and Administration Panel Monitoring and Control	Director of Finance	Fund Manager
The Panel will be responsible for the appointment and termination of AVC providers.	The Panel will review the Fund's AVC arrangements.		
	<p>The Panel may also carry out any additional tasks delegated to it by the Council, including:</p> <ul style="list-style-type: none"> • The Panel will monitor the investment advice from their investment consultant and investment services obtained from other providers (e.g. custodian) - the Panel will be responsible for the appointment and termination of providers. • In order to fulfil their roles, the members of the Panel will be provided with appropriate training, initially and on an ongoing basis, where identified. • The Panel should take such professional advice it considers necessary. • The Panel will keep Minutes and other appropriate records of its proceedings. 		

Governance Compliance Statement

The table below demonstrates the extent to which the delegation of functions complies with the guidance given by the Secretary of State.

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
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.	✓	Pension Fund Investment and Administration Panel
	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.	✓	All employers entitled to attend. Trade Union observers represent members. The Local Pension Board includes two employer representative and two scheme member representatives.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	n/a	No secondary committee or panel has been established.
	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.	n/a	No secondary committee or panel has been established.
Representation	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers such as admitted bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers 	<p>✓</p> <p>✓</p> <p>✓</p>	iii) The Panel has considered this issue and there has been no requirement, given the nature of the other advice provided

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
	iv) expert advisors (on an ad-hoc basis).	✓	
	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	
Selection and Role of Lay Members	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.	✓	Selected via Council AGM or General Purposes Committee. Training is offered. Terms of reference provided.
	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	✓	Standing item on agenda
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.	✓	Stated in the Governance Compliance Statement– Royal Borough of Greenwich Pension Fund Investment and Administration Panel
Training, Facilities and 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 respect of members involved in the decision-making process.	✓	Stated in Governance Policy Statement – Delegation (Other).
	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.	✓	
	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	✓	The administering authority has adopted the CIPFA Knowledge and Skills Framework
Meetings	That an administering authority's main committee or committees meet at	✓	Stated in Governance Policy

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
(frequency / quorum)	least quarterly.		Statement – Royal Borough of Greenwich Pension Fund Investment and Administration Panel
	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.	n/a	No secondary committee or panel has been established
	That an administering authority who does 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	✓	Representation by Trades Unions on Panel plus Trades Union Liaison meetings (as apt).
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.	✓	Committee papers are sent to members at least five working days prior to the meeting and non-confidential papers are published on the Council's website.
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	✓	The Panel recommends employer policies on issues such as discretions. The panel also reviews the effects of decisions such as early retirement upon the fund.
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.	✓	Governance Statement is published on the authority's website and referred to within the newsletter with a mechanism for feedback
Pension Board	Administering authorities should disclose the terms, structure and operating procedures	✓	Terms of Reference published

PENSION BOARD OF THE ROYAL BOROUGH OF GREENWICH TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the local Pension Board of the Royal Borough of Greenwich (the “Administering Authority”) a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013.

The Local Pension Board (hereafter referred to as the “Board”) is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

2. The Board is established by the Pension Fund Investment and Administration Panel (hereafter referred to as the “Panel”) under delegation from the Administering Authority and operates independently of the Panel. Relevant information about its creation and operation are contained in these Terms of Reference.

3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.

4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

‘the Act’ The Public Service Pensions Act 2013.

‘the Board’ means the Pension Board constituted herein

‘the Code’ means the Pension Regulator’s Code of Practice No 14 governance and administration of public service pension schemes.

‘the Fund’ means the Fund managed and administered by the Administering Authority.

'the Guidance' means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

'the Panel' means the Pension Fund Investment and Administration Panel who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972

'the Regulations' means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).

'Relevant legislation' means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.

'the Scheme' means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- Assist the Royal Borough of Greenwich Administering Authority as Scheme Manager:
 - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - Any such other matters as the LGPS regulations may specify.
- Secure the effective and efficient governance and administration of the LGPS for the Royal Borough of Greenwich Pension Fund
- Provide the Scheme Manager with such information as it requires, to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Establishment

8. The Board is established on 1 April 2015 as approved by the Panel on 16/03/15.

Membership

9. The Board shall consist of four voting members, as follows:

- two member representatives; and
- two employer representatives

10. There shall be an equal number of member and employer representatives.

11. There are no other representatives.

Member representatives

12. Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.

13. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

14. Substitutes may not be co-opted to join.

15. A total of two member representatives shall be appointed by way of open invitation to the fund membership. Formal interviews will then be held from self-nominated members to select the most appropriate candidate.

Employer representatives

16. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No

officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

17. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

18. Substitutes may not be co-opted to join

19. Nominations shall be sought from the employer(s) representing the majority of the fund membership.

Representatives

20. No other members shall be appointed to the Board.

Appointment of chair and vice- chair

21. A chair and vice- chair shall be appointed for the Board by the Administering Authority. The roles will be filled by one member representative and one employer representative.

Duties of chair and vice -chair

22. The chair of the Board:

- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
- (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

(d) shall have a casting vote, where appropriate

The vice- chair will deputise for the chair as required, covering the duties stated at 22 above.

Notification of appointments

23. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together

with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office

24. The term of office for Board members is to be aligned with the municipal term of the Royal Borough of Greenwich.

25. Extensions to terms of office may be made by the Administering Authority with the agreement of the Board.

26. A Board member may be appointed for further terms of office.

27. Board membership may be terminated by the Administering Authority prior to the end of the term of office due to:

(a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.

(b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.

(c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

(d) A Board member no longer being able to demonstrate to the Royal Borough of Greenwich capacity to attend and prepare for meetings or to participate in required training.

(e) The representative being withdrawn by the nominating body and a replacement identified.

(f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.

(g) A Board member who is an elected member becomes a member of the Panel.

(h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

Conflicts of interest

28. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

29. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include

a financial or other interest arising merely by virtue of that person being a member of the Scheme.

30. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

Knowledge and understanding (including Training)

31. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

32. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.

33. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

34. The Board shall as a minimum, meet two times each year.

35. Meetings shall normally take place at the Town Hall, Woolwich.

36. The chair of the Board with the consent of the Board members may call additional meetings.

Quorum

37. A meeting is only quorate when at least 50% of both member and employer representatives are present.

38. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

39. The Chair shall agree with committee services an agenda prior to each Board meeting.

40. The agenda and supporting papers will be issued in accordance with the Local Government Act 1972 Part VA 100B, (as amended by the Local Authorities (Access to Meetings and Documents) (Period of Notice) (England) Order 2002).

41. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.

42. The minutes may, with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972, or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

43. The Administering Authority shall ensure that Board members meet and maintain the knowledge and understanding as stated in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.

44. The Administering Authority shall arrange such advice as is required by the Board, subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.

45. Committee services shall ensure an attendance record is maintained.

46. Committee services shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

47. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).

48. The following will be entitled to attend Board meetings in an observer capacity:

- (a) *Members of the Panel,*
- (b) *Any person requested to attend by the Board.*

Any such attendees will be permitted to speak at the discretion of the Chair.

49. In accordance with the Act the Administering Authority shall publish information about the Board to include:

- (a) The names of Board members and their contact details.
- (b) The representation of employers and members on the Board.
- (c) The role of the Board.
- (d) These Terms of Reference.

50. The Administering Authority shall also publish other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

51. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Fund's website.
- (b) As part of the Fund's Annual Report.
- (c) As part of the Governance Compliance Statement.

52. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Budget

53. The Board is to be provided with adequate resources to fulfil its role. In doing so, the budget for the Board will be met from the Fund and determined by the Board seeking approval from the Section 151 officer for any expenditure it wishes to make.

Core functions

54. The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function, the Board may determine the areas it wishes to consider.

55. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. To this extent of this core function, the Board may determine the areas it wishes to consider.

56. In support of its core functions the Board may make a request for information to the Panel with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

57. In support of its core functions the Board may make recommendations to the Panel which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting

58. The Board should in the first instance, report its requests, recommendations or concerns to the Panel. In support of this any member of the Board may attend a Panel meeting as an observer.

59. The Board should report any concerns over a decision made by the Panel to the Panel subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present, then the agreement should be of all voting members who are present, where the meeting remains quorate.

60. On receipt of a report, the Panel should, within a reasonable period, consider and respond to the Board.

61. Where the Board is not satisfied with the response received or where the Board is satisfied that there has been a breach of regulation which has been reported to the Panel

and has not been rectified within a reasonable period of time, it is under an obligation to escalate the breach.

62. The appropriate internal route for escalation is to the Leader of the Council.

63. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.

64. Board members are also subject to the requirements to report breaches of law under the Act and the Code.

Review of terms of reference

65. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every two years.

66. These revised Terms of Reference were adopted on 19/09/2016.

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Investment Strategy Statement

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the Royal Borough of Greenwich Pension Fund (“the Fund”), which is administered by the Royal Borough of Greenwich, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

The ISS has been adopted by the Pension Fund Investment & Administration Panel (“the Panel”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Panel acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Panel on 20 March 2017, is subject to periodic review at least every three years and also after any significant change in investment policy.

The Panel seeks to invest in accordance with the ISS, utilising 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.

The suitability of particular investments and types of investments

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

The Panel 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 employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Panel has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Panel’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. The Fund may be required to hold different assets to its benchmark allocation during times of transition from one benchmark to another.

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 that every three years following the actuarial valuation, the Fund would either review existing funding arrangement or undertakes an asset liability modelling exercise. This exercise focuses on key risk metrics of probability of success (how likely is the Fund to be fully funded over the agree funding period) and downside risk (how poor could the funding position become in the worst economic outcomes).

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).

The fund completed a full asset / liability review and implemented enhanced investment management arrangement by 31 March 2017. Notwithstanding the above, it will be necessary for the fund to allow time for these arrangements to take effect before consideration of further changes.

In addition, the Panel 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

The Panel also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation.

Rebalancing policy

A rebalancing policy aims to ensure that the Fund:

- Maintains the desired strategic risk/expected return balance across the assets;
- Maintains the desired allocation between various managers;
- Locks in some of the gains when a particular asset class or manager outperforms relative to the others; and
- Buys into relatively 'cheap' asset classes or managers when they underperform.

A typical rebalancing framework consists of a central target allocation with a rebalancing range for each asset class and/or manager. Where an asset class and/or manager has breached its rebalancing range, assets should be bought or sold in order to bring the breached funds back to their target allocations.

The Fund's allocation to each asset is compared with the target allocations on a quarterly basis. This will allow the process to be operationally simplified with the aim to balance frequent rebalancing with the cost of managing this process. This pragmatic approach would take into account any cashflows and investments/disinvestments made over each quarter and is a long enough period for any volatile movements to be smoothed.

Rebalancing ranges

The new proposed rebalancing ranges for each asset class are shown in the table below. If the control ranges have been breached, this would prompt rebalancing between the underlying assets/managers.

Asset	Target allocation (%)	Rebalancing tolerance range (%)
Equity	50	+/- 5.0
Property	10	-
Multi-asset	10	+/- 2.5
Bonds	20	+/- 4.0
Diversifying Alternatives	10	-
Cash	-	+ 2.5

Total	100	
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These ranges have been calculated by scaling the current range for each asset class, taking into account the nature of the underlying assets. These ranges are appropriate for the Fund based on the current investment strategy, however, these should be reviewed on a regular basis:

- The Fund invests in equity funds across two managers (BlackRock and Fidelity). It is expected that the relative balance between BlackRock and Fidelity equity funds can vary over time, due to the impact of regional performance and currency exchange rates. However, given that these are all equity funds, any rebalancing should be considered at an asset class level rather than at a fund or manager level. Therefore, if the overall equity allocation across BlackRock and Fidelity is out of the rebalancing tolerance range, the most underweight/overweight equity manager would be used to rebalance the assets.

Separately the Blackrock portfolio consists of three separate funds. These are not automatically rebalanced. In the first instance they will be rebalanced using the investment/disinvestment of funds into or out of the Fund, including any rebalancing as described above. Separately once a year the Panel will need to consider instructing BlackRock to rebalance where this has drifted away from the desired position.

- The CBRE property mandate is a relatively illiquid investment due to the nature of the underlying assets. The Fund may purchase or sell opportunistically, but it is not expected that the allocation is rebalanced as part of the rebalancing process and therefore property does not have a tolerance range. Property is also an expensive asset class to buy and sell. The Panel will need to consider the allocation to CBRE as part of its quarterly monitoring of Fund assets and consider any rebalancing as required from time to time and taking into account the factors outlined above.
- The Partners Group mandate operates on a fixed commitment basis and is an illiquid asset class. Therefore this cannot be easily 'topped up' or 'trimmed' for rebalancing purposes and does not have a tolerance range.
- Although the Fund does not have a target allocation to the BlackRock Liquidity fund, it is expected that this mandate will be used to hold some investments over short periods of time to facilitate wider strategic changes or cashflow requirements.

Investment markets will continue to be monitored and where a strong view is formed from time to time, decisions may arise to hold overweight or underweight positions on a tactical basis to capture any medium term market opportunities or reduce any risks from market threats.

Recent rebalancing

Following strong performance by equities over 2016, the Fund's overall equity allocation was overweight by c.5% relative to the target allocation of 50% of the Fund's total assets. Following discussions between advisors and the Officers in January, £55m was disinvested from equities in order to 'lock' in these profits.

Although the Fund has already committed to the Partners Group mandate, this investment is funded through four capital calls over 12 months. The Fund is expected to pay the final capital call of £25m for the Partners Group Private Markets Credit Strategies capital call on 31 March 2016. Therefore £25m of the disinvestment made from equities has been switched to the BlackRock Liquidity fund and this amount been earmarked for the Partners Group capital call.

The remaining proceeds from the equity disinvestment were split and invested between the Invesco Global Targeted Return fund (£20m) and the Fidelity UK Aggregate Bond fund (£10m). Following this investment, these two allocations are expected to be broadly in line with their target allocations.

Investment of money in a wide variety of investments

Asset classes

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

The Panel reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Panel 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 Panel is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. In line with the Regulations, the Fund'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 the Administering 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 (%)
UK Equities 5% cap Weighted	15.0
Overseas Equities	35.0
<i>Global equity passive</i>	<i>15.0</i>
<i>Smart Beta Allocation</i>	<i>10.0</i>
<i>Emerging markets active</i>	<i>10.0</i>
Property	10.0
Bonds	20.0
<i>Multi Asset Credit</i>	<i>10.0</i>
<i>UK Aggregate Bond Fund</i>	<i>10.0</i>
Multi Asset Strategy	10.0

Diversified Alternatives	10.0
Total	100.0

Consideration of the Fund's risks, including the approach to mitigating risks

Managers

The Panel 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 Panel, 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.

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

The Panel 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 has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

The principal investment risks affecting the Fund are considered below. The Panel monitors and manages risks in these and other areas through use of a detailed Risk Register process.

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Panel measures and manages financial mismatch in two ways. As indicated above, the Panel 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 results from the 2013 analysis highlighted the Fund has c63% probability of achieving full funding by 2036 and a downside risk measure of c30% funding level based on the average of the worst 5% of outcomes. This analysis will be revisited as part of the 2016 valuation process. The Panel assesses

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

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

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

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Panel measure and manage asset risks in a number of ways.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Panel 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 Panel has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Panel also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

The Panel 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 having a significant proportion of the Scheme's assets managed on a passive basis. The Panel assess the Fund's managers' performance on a quarterly basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Panel seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Panel 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 Panel has the power to replace a provider should serious concerns exist.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

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

The Fund has formally agreed to join the London Collective Investment Vehicle (London CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow. The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to Government.

Assets to be invested in the Pool

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

- 1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- 2 That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

Any assets not currently invested in the London CIV will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV where practicable and there are suitable sub-funds to meet the Fund's investment strategy requirements.

The Fund holds c21% of its assets in illiquid strategies (private equity, diversified alternatives and property) and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

Structure and governance of the London CIV

The July 2016 submission to Government of the London CIV provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. Below is a summary extract from the July Submission:

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- London CIV has established the Sectoral Joint Committee (SJC - comprised of London Pension Fund Chairs) as well as an Investment Advisory Committee (IAC - comprised of officers at the London funds) and that this helps to main the strong links and assurance with the local administering authorities. This ensures that the links with local democratic accountability for the London CIV are maintained. The SJC agendas and minutes are also publicly available which enables external scrutiny of the work of the SJC.
- The company and fund structure chosen for the London CIV means that the company has to be accountable to its shareholders who all retain equal shares in the ownership and voting.
- The London CIV pool already has dedicated resources working for the company with a Chief Executive, Investment Oversight Director, Operations Director as well as support staff. In addition the Company has a highly respected Non-Executive Board in place meeting the requirements for strong governance arrangements to be in place.
- In addition the arrangements that the London CIV has already put in place with external providers including Northern Trust (asset service provider), Capita (operating model adviser) as well as having used expert advisers, Eversheds and Deloitte in the establishment of the CIV provides administering authorities with the assurance on both the set-up and ongoing operation of the London CIV.
- With regards to providing assurance on environmental, social and governance issues and how this will be handled by the pool, this has already been the subject of consideration by the company and the SJC with an agreement that the London CIV should be a separate member of the Local Authority Pension Fund Forum (LAPFF) – a body which represents the majority of views of local authority pension funds on these matters.
- The London CIV is also currently considering how it will meet the requirements of the Stewardship Code and anticipates being a signatory to this in due course.
- The IAC has also established a working group to look at the whole issue of ESG matters and how funds can best access this through the London CIV and how to assist funds in acting as long term responsible shareholders.

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

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. In addition the Panel undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its external investment managers (and specifically the London CIV 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. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

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.

The Panel receives periodic reports covering social, environmental and ethical considerations. This ISS reflects the most recent report, however, it will be updated as a result of any changes arising from a future report on this matter.

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

Voting rights

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Panel has delegated the exercise of voting rights to the investment managers (and where relevant in the future the London CIV) on the basis that voting power will be exercised by it with the objective of preserving and enhancing long term shareholder value. The managers are encouraged to vote in line with guidelines set by the Fund, in respect of all resolutions at annual and extraordinary general meetings of companies. Annexe II outlines the Voting Intention Guidelines. The Director of Finance has delegated authority to instruct fund managers to vote in a specific manner.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners. Membership of the Local Authority Pension Fund Forum enables alerts to be sent to the Fund in respect of specific issues / companies.

Stewardship

The Panel has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Panel 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. A copy of the Fund's statement of compliance with the Stewardship Code can be found on the Fund's website.

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As part of its compliance with the Stewardship Code the Fund has adopted a set of Voting Intention Guidelines, see Annexe II. The Panel publishes an annual report of voting activity as part of the Fund's annual report. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Panel 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.

The Chartered Institute of Public Finance ("CIPFA") Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in Annexe I.

Additional Voluntary Contributions (AVCs)

The Fund gives members the opportunity to invest in a range of vehicles at the members' discretion.

Annexe I - Myners Principles

Principle	Response on Adherence
<p>1 - Effective Decision Making</p> <p>Administering authorities should ensure that:</p> <ul style="list-style-type: none"> • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>Council has delegated decision making in respect of the Pension Fund to the Pension Fund Investment and Administration Panel. This panel is a subcommittee of Council. It convenes a minimum of four times a year and contains four Greenwich Councillors with full voting rights. As at March 2016, the Panel currently holds one vacancy. Representatives from admitted bodies and the trade unions are able to participate as members of the Panel. The Terms of Reference for the Panel are shown in Annexe V.</p> <p>Training is undertaken by Trustees at appropriate levels to meet the CIPFA Knowledge and Skills Code. Trustees are remunerated in line with their capacity as Council Members. The sub-committee is supported by an in-house team which monitors day-to-day activities on the fund. The Panel engages its fund managers each year. The Director of Finance is responsible for day-to-day monitoring of the fund and prepares the committee reports.</p> <p>A two year rolling business plan has been developed and approved by the Panel.</p>
<p>2 - Clear objectives</p> <p>An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the</p>	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The investment objectives of the fund are stated in the Investment Strategy Statement. These take into account the scheme's liabilities, the impact on employer contribution rates and the schemes attitude</p>

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<p>attitude to risk of both the administering authority and scheme employers. These should be clearly communicated to advisers and investment managers.</p>	<p>to risk. The asset allocation and benchmarks of the Fund are set with the aim of achieving these objectives and are communicated to investment managers. The Funding Strategy Statement evaluates the effect of the covenant upon employers and the Fund.</p>
<p>3 - Risk and liabilities</p> <ul style="list-style-type: none"> • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The investment strategy aims to achieve the return required to meet current and future liabilities as set out in the actuarial valuation. The strategy also takes into account the requirement to keep employer contribution rates at a stable level.</p> <p>Consideration is given to the payment of a bond by prospective admitted bodies to the Fund, to mitigate against the risk that they may default on their contribution payments.</p> <p>The longevity risk is built into the triennial actuarial valuation and is therefore included when determining the investment strategy.</p> <p>The investment risks and how they are managed are detailed in the SIP.</p>
<p>4 - Performance Assessment</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. 	<p><i>The Royal Borough of Greenwich Pension Fund complies with this principle.</i></p> <p>The performance of investments and investment managers is monitored on a quarterly basis. An independent performance measurement company provides quarterly reports detailing the performance of the asset allocation and investment managers relative</p>

<ul style="list-style-type: none"> Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	<p>to the benchmarks. The company also provides data detailing the performance of the Royal Borough of Greenwich Pension Fund in relation to its peer group. This data is used for information only and is not considered when developing the investment strategy. A report detailing the performance of the fund is presented quarterly to the Pension Fund Investment and Administration Panel.</p> <p>The Business Plan details how the fund expects to deliver its objectives for the year. The Business Plan also sets out administrative performance targets of when important documents need to be produced.</p> <p>The Annual Report outlines training undertaken, in order to ensure effective decision making.</p>
<p>5 - Responsible Ownership</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> Recognise and ensure that their partners in the investment chain adopt the FRC's UK Stewardship Code Include a statement of their policy on responsible ownership in the Investment Strategy Statement. Report periodically to scheme members on the discharge of such responsibilities. 	<p><i>The Royal Borough of Greenwich Pension Fund complies with this principle.</i></p> <p>The Fund's policies on the exercise of rights (including voting rights) and social, environmental and ethical considerations are included within the Investment Strategy Statement,</p> <p>The Fund complies with the UK Stewardship Code, details of which are in the Fund's Statement of Compliance with the UK Stewardship Code for Institutional Investors. The Fund also expects its investment managers and investment advisor to comply with the Code.</p> <p>The Fund expects its investment managers to engage with companies within their portfolio on social, environmental and ethical issues.</p>

<p>6 - Transparency and Reporting</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • provide regular communication to scheme members in the form they consider most appropriate. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The Fund publishes annually a Communications Strategy detailing its policy for communicating information to members, representatives of members, prospective members and employing authorities. The Fund also makes available a range of documents including:</p> <ul style="list-style-type: none"> • Annual Report, incorporating the Pension Fund Statement of Accounts • Investment Strategy Statement • Governance Statement • Stewardship Code • Knowledge and Skills Policy Statement • Triennial actuarial valuation • Funding Strategy Statement • Agenda and Minutes of the Pension Fund Investment and Administration Panel and the Pension Board <p>These documents are published on the internet and hard copies are available on request.</p>
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Annexe II – Voting Intention Guidelines

Voting Governance Issues

Action if Negative

CHAIRMAN/CHIEF EXECUTIVE

Role of Chairman and Chief Executive should be separate to avoid undue concentration of power.

Vote against Chairman/ Chief Executive re-appointment as Director.

NON-EXECUTIVE DIRECTORS

2. Board must have a minimum of 40% non-Executive Directors.

Vote against appointment of all Executive Directors.

3. Non-Executive Directors should not hold such a position in a competitor.

Vote against re-appointment when up for re-election.

DIRECTORS

4. There should be formal appointments for all Directors.

Vote against appointment of Directors.

REMUNERATION COMMITTEE

5. The Committee must be composed entirely of independent Non-Executive Directors.

Vote against all Executive Directors.

6. The Committee should be answerable to the

Vote against acceptance of the

shareholders at the AGM.

accounts.

Vote against the reappointment
of Chairman as a Director.

GENERAL

7. All Directors need to seek re-election at least every three years (by rotation).

Vote against acceptance of
accounts.

AUDIT COMMITTEE

8. There shall be an Audit Committee.

Vote against acceptance of
accounts.

9. The Audit Committee should have a majority of Non-Executive Directors.

Vote against acceptance of
accounts.

10. The Audit Committee shall meet with the Auditors at least once in the year without Executives present.

Vote against acceptance of
accounts.

REPORTING AND CONTROLS

11. The Directors shall report on frauds uncovered that exceed £100,000 and action taken.

Vote against acceptance of
accounts.

THE CADBURY CODE

APPENDIX B

- | | | |
|-----|--|--|
| 12. | There shall be no rolling contracts of more than twelve months. | Vote against all relevant Directors' re-appointments. |
| 13. | There shall be full disclosure of all emoluments received by Directors. | Vote against re-appointment of all Directors. |
| 14. | There shall be transparent disclosure of the basis of performance related payments. | Vote against re-appointment of Chairman of Remuneration Committee as a Director. |
| 15. | The basis of executive share options granted shall be the subject of shareholders resolution, be voted upon at least every five years and meet the guidelines of the Inland Revenue and the National Association of Pension Funds. | Vote against acceptance of accounts. |
| 16. | There shall be full disclosure of share options granted to Directors and the Executive and those exercised in the preceding 12 months. | Vote against all Directors re-appointments. |

AUDITORS

- | | | |
|-----|--|--|
| 17. | The Auditors shall not be given or awarded additional work with the company that exceeds 50% in value of the Audit contract. | Vote against all Director Members of Audit Committee. Vote against the re-appointment of Auditors. |
| 18. | The Board shall contain no former employee of the audit firm. | Vote against Directors re-appointment who come into this category. |

OTHER MATTERS

- | | | |
|-----|---|---|
| 19. | The Company shall not make any political or quasi political donations. | Vote against acceptance of accounts.
Vote against Chair's re-appointment |
| 20. | The Company shall indicate how it ensures equal opportunity is genuinely available. | Seek compliance through written Contract. |

Annexe III

Pension Fund Investment and Administration Panel – Terms of Reference

The (Royal Borough of Greenwich) Pension Fund Investment and Administration Panel is a sub-committee of Council. It convenes a minimum of four times a year and contains four Greenwich Councillors with full voting rights. As at March 2016, the Panel currently holds one vacancy. Representatives from admitted bodies and the trades unions are invited to participate as members of the Panel, but do not have voting rights. The (Royal Borough of Greenwich Council) Pension Fund Investment and Administration Panel has as its general terms of reference:

- To exercise all relevant functions conferred by regulations made under:
 - a) Public Service Pension Act 2013
 - b) Local Government Pension Scheme Regulations (Various)
 - c) Other Relevant Legislation
- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund
- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.
- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.
- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.
- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.
- To receive reports from the Pension Board where appropriate

For inclusion in ISS

Responsible Investment

The Panel considers the Fund's approach to responsible investment in two key areas:

- Sustainable investment – considering the financial impact on risk and returns of environmental, social and governance (ESG) factors, including climate change
- Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Panel takes ESG matters very seriously and has agreed a specific set of Responsible Investment Principles which are set out later in this document. It receives regular training and updates on relevant issues and is committed to reviewing its policies and beliefs in this area on a regular basis.

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

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. In addition the Panel undertakes training on a regular basis and this will include training and information sessions on matters of environmental, social and corporate governance issues.

The Fund requires its investment managers to integrate all material financial factors, including ESG considerations, into their decision-making process for all fund investments. It expects its managers to follow best industry 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.

Whilst active managers are expected to take into account the above factors in their individual stock selection decisions, it is acknowledged that index tracking managers will invest in line with the index set out in their mandate. The Panel therefore acknowledge that choice of benchmark index is an important consideration for index-tracking mandates.

The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest in future) 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. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The investment managers have all provided copies of their responsible investment policies and these have been considered by the officers and are available for review by members of the Panel. The managers are asked on an annual basis to provide an update on any changes to their policies. The managers are also encouraged to report on their engagement activity with companies as part of their regular quarterly reporting to the Fund. The

consideration of ESG factors, along with discussion on current examples, is also an item on the agenda at all meetings between the managers and the Panel / officers.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

In future, the Fund will make investments through the London Collective Investment Vehicle (CIV). The CIV has developed its own Responsible Investment Policy. The Fund will require the CIV to monitor the investment managers appointed for their fund range and provide reporting on the engagement activities of those investment managers.

The Fund will invest in line with its fiduciary duty having considered the full range of factors contributing to the long term financial risk and returns including all environmental, social and governance factors to the extent that these have a direct or indirect impact.

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. The Fund does not currently hold any direct assets which it deems to be Social investments.

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

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Panel has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers have all provided copies of their voting policies and these have been reviewed by the officers. The managers are asked on an annual basis to provide an update on any changes to their policies. The managers are also required to report on their voting activity as part of their reporting to the Fund. The detailed voting record is available to members of the Panel. The Panel publishes an annual report of voting activity as part of the Fund's annual report.

The voting policy of the London CIV is included within its Responsible Investment policy.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners. Membership of the Local Authority Pension Fund Forum enables alerts to be sent to the Fund in respect of specific issues / companies.

Stewardship

The Panel has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Panel expects any directly appointed investment managers to also comply with the Stewardship Code and this is monitored on an annual basis. A copy of the Fund's statement of compliance with the Stewardship Code can be found on the Fund's website. The London CIV is also a signatory to the Stewardship Code.

In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

APPENDIX B

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Chartered Institute of Public Finance (“CIPFA”) Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in Annexe I.

Responsible Investment Principles

The Panel have developed a set of Responsible Investment Principles as set out below.

- **Environmental, social and corporate governance factors can have a material impact on the long term risks and returns from the Fund’s investments.**
 - *Therefore, the Panel is committed to taking these factors into account in relation to the underlying investments in line with their fiduciary duty.*
- **Climate change specifically presents a financial risk to the future investment returns of the Fund.**
 - *The Panel will engage with managers and advisors in understanding the nature of these risks within the Fund but also aim to identify any investment opportunities which might arise as a result.*
- **Engagement with underlying companies where the Fund owns shares is the preferred approach to influencing company behaviour rather than divestment.**
 - *Investment managers have access to company management and the Panel meet regularly with managers to discuss their engagement with companies.*
- **It is the role of the Fund’s active managers to do the necessary due diligence and take all relevant factors into account for each individual stock selection decision that they take.**
 - *Therefore, the Panel will not place restrictions on managers in terms of stocks that cannot be held.*
- **The Fund will encourage companies and investment managers to improve disclosure of their activity in relation to ESG factors.**
 - *This will be addressed directly with managers, through involvement in the London CIV and also through membership of the LAPFF.*
- **The Fund will consider opportunities to make investments with a positive social or environmental impact subject to the risk / return characteristics being acceptable.**
 - *Investments expected to have a ‘positive impact’ can be considered if they are consistent with the overall objectives of the Fund’s investment strategy.*

Royal Borough of Greenwich Pension Fund

Funding Strategy Statement

March 2017

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Funding Strategy Statement

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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Royal Borough of Greenwich Pension Fund (“the Fund”), which is administered by Royal Borough of Greenwich (“the Administering Authority”).

This statement has been prepared by the Royal Borough of Greenwich Council to set out the funding strategy for the Royal Borough of Greenwich Pension Fund in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel. It has been prepared by the Administering Authority in collaboration and after consultation with the following –

- The Fund’s Actuary - Barnett Waddingham LLP
- The Fund’s Investment Advisers – Hymans Robertson LLP
- The Fund’s participating employers

It is effective from 1 April 2017.

1.2 What is the Royal Borough of Greenwich Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Royal Borough of Greenwich Fund, in effect the LGPS for the Royal Borough of Greenwich area, to make sure the Fund:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth;
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

1.3 What is the purpose of the Funding Strategy Statement (FSS)?

The purpose of the FSS is to document the processes by which the administering authority:

- establishes a clear and transparent fund-specific strategy that will identify how employers’ pension liabilities are best met going forward
- supports the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013
- ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the fund are met
- takes a prudent longer-term view of funding those liabilities.

This framework is designed to ensure the funding strategy is both cohesive and comprehensive for the fund as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the funding strategy applicable to individual employers or categories of employers must be reflected in the FSS, its

focus should at all times be on those actions that are in the best long-term interests of the fund. Consequently the FSS should remain a single all-employer-encompassing strategy for the administering authority to implement and maintain.

1.4 Why does the Fund need a FSS?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the latest formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles (see Section 4).

1.5 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your LGPS pension benefits are always paid in full;
- an employer in the Fund (or one which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;

- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.6 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.7 How do I find my way around this document?

In [Section 2](#) there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a [glossary](#) explaining the technical terms occasionally used here.

2 Basic Funding issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1 Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits.

2 Determine the time horizon over which the employer should aim to achieve that funding target.

3 Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon.

2.2 What is each employer's contribution rate?

Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions.

1 The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2 The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3 The **probability of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions.

Any costs of non ill-health early retirements should be paid by the employer.

2.5 How is a deficit (or surplus) calculated?

An employer’s “funding level” is defined as the ratio of:

- the market value of the employer’s share of assets, to

- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;

- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees. In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation, a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

- capping of employer contribution rate changes within a pre-determined range (“stabilisation”)
- the use of extended deficit recovery periods
- the phasing in of contribution rises or reductions
- the pooling of contributions amongst employers with similar characteristics
- the use of some form of security or guarantee to justify a lower contribution rate than would otherwise be the case.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying contributions below the theoretical level

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than the theoretical contribution rate. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the choice of method,
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution will lead to higher contributions in the long-term, and
- it will take longer to reach full funding, all other things being equal.

Overleaf [\(3.3\)](#) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies		Community Admission Bodies and Designating Employers	Transferee Admission Bodies
Sub-type	Administering Authority	Academies	(all)	(all)
Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)		Ongoing, but may move to “gilts basis” - see Note (a)	Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Future service rate	Projected Unit Credit approach (see Appendix D – D.2)			
Maximum deficit recovery period – Note (c)	25 Years			
Deficit recovery payments – Note (d)	% of payroll and / or lump sum	% of payroll and / or lump sum	% of payroll and / or lump sum	% of payroll and / or lump sum
Phasing of contribution changes	None			
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations			
New employer	n/a	Note (g)	Note (h)	Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j) .		Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j) .	Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on on-going basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

The Administering Authority may vary the discount rate used to set the employer contribution rate. In particular contributions may be set for an employer to achieve full funding on a more prudent basis (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer will alter its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring).

Stabilisation is not currently applicable to employers in the Royal Borough of Greenwich Pension Fund.

Note (c) (Deficit Recovery Periods)

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example where there were no new entrants.

Note (d) (Deficit Recovery Payments)

For employers where stabilisation is not being applied, the deficit recovery payments for each employer covering the three year period until the next valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Phasing in of contribution changes)

All phasing is subject to the Administering Authority being satisfied as to the strength of the employer's covenant.

Employers which have no active members will not be phased.

Phasing is not applicable at this valuation.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy employers)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- a) All academies in the Fund are to be fully pooled together, sharing past and future service costs and experience. This is, however, subject to the outcome of the on-going Academies consultation.
- b) The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- c) The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

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- d) The new academy will join the Fund's Academy pool in which all Academies pay the same contribution rate as a percentage of payroll.
- e) As above, all academies will pay the same contribution rate as a percentage of payroll and at conversion, the Academy will be allocated a portion of the Fund's assets. At each triennial valuation any necessary asset adjustments will be made so as to share the Academy pool's combined deficit between all the Academies in the pool.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (d) and (e) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund;
- the current deficit.

For all new Transferee Admission Bodies and Community Admission Bodies, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis.

The above approaches reduce the risk to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are usually three different routes that such employers may wish to

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adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which is may be under the stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and doesn't pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from;

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above;
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund;
or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- a) Where there is a guarantor for future deficits and contributions, the cessation valuation will normally be calculated using the ongoing basis as described in [Appendix E](#);
- b) Alternatively, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee;
- c) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would look to any bond, indemnity or guarantee in place for the employer.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time the Administering Authority may set up pools for employers with similar characteristics. This will always be in line with its broader funding strategy.

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended deficit recovery period, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan;
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. Amounts are payable immediately and any extension is at the sole discretion of the administering authority. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.7 Ill health early retirement costs / external ill health insurance

3.7.1 Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.7.2 If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged.

3.7.3 The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.8 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see [3.3, Note \(j\)](#)) and consequently have no further obligation to the Fund.

Thereafter it is expected that one of two situations will eventually arise:

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- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund

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- c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.9 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities;
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (SIP), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out after each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see [E3](#)) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see [A1](#)).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in [Section 3](#) will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position;
- Stability – employers should not see significant moves in their contribution rates from one year to the next, and this will help to provide a more stable budgeting environment.

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The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore a balance needs to be maintained between risk and reward, which has been considered.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, on an annual basis. It reports this to the regular Pensions Investment and Administration Panel meetings.

5 Statutory Reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;

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3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and

4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

- “to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities.”

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2012) and to its Statement of Investment Principles.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was that a draft version of the FSS was issued to all participating employers in February 2014 for comment.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the Pension Fund’s website.
- A copy sent by post or e-mail to each participating employer in the Fund along with confirmation of the final employer contribution rate;
- A full copy is included in the annual report and accounts of the Fund;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

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- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pension Fund Investment and Administration Panel and would be included in the relevant Panel Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Compliance Statement and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the Pension Fund website.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain a FSS and a ISS;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS/ISS as necessary and appropriate
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay over all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

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- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of Admission Bodies' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's SIP remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures
- the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

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Appendix C – Key risks and controls / counter measures

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

The risks included on the table below are those risks appropriate and relevant to the Funding Strategy Statement.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	<p>Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	<p>Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context.</p> <p>Regular monitoring of funding position.</p> <p>Some investment in bonds helps to mitigate this risk.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Some investment in bonds also helps to mitigate this</p>

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Risk	Summary of Control Mechanisms
	<p>risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	Measures are in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.8).</p>

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of a significant number of LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating pattern of early retirements	<p>Employers are charged the extra cost of non ill-health retirements.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>A review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a</p>

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Risk	Summary of Control Mechanisms
	percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The results of the most recent reforms have been built into the 2016 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.</p>
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p>

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Risk	Summary of Control Mechanisms
	Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps above are considered when setting contributionsD:

1. The funding target is based on a set of assumptions about the future, eg investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then it's funding target may be set on a more prudent basis, so that it's liabilities are less likely to be spread among other employers after it's cessation of participation;
2. The time horizon required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;
3. The required probability of achieving the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

The calculations involve actuarial assumptions about future experience.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' future service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer.

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* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined.

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

- 1 meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share
- 2 within the determined time horizon
- 3 with a sufficiently high probability, as set by the Fund's strategy for the category of employer.

5.4 D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;

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9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

5.5 D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

- 1 the actual timing of employer contributions within any financial year;
- 2 the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the measured value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the “basis”. A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower liability values and lower employer costs. A more prudent basis will give higher liability values and higher employer costs.

E2 What basis is used by the Fund?

The Fund’s standard funding basis is described as the “ongoing basis”, which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see [Note \(a\)](#) to [3.3](#).

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund’s investments. This “discount rate” assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds (“gilts”). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed future investment returns earned by the Fund over the long term will be a sum greater than gilt yields at the time of the valuation. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

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b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government . Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Salary growth has been based on long term historical analysis of the membership in LGPS funds with a short term overlay.

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. This change was allowed for in the valuation calculations as at 31 March 2010. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI.

d) Life expectancy

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. .

e) General

The same financial assumptions are adopted for all employers, in deriving the past service deficit and the future service rate: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

f) Actual Assumptions

A full list of assumptions and values can be found in the 2016 Triennial Actuarial Valuation Report for the fund published on the Fund’s website.

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities . The main assumptions will relate to the discount rate , salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers which voluntarily participate in the Fund, so that their employees and ex-employees are members . There will be an Admission Agreement setting out the employer's obligations. For more details (see 2.5).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Deficit	The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Deficit repair/recovery period	The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual past service adjustment (deficit repair contribution), and vice versa.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit . A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate .
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and liabilities values for each employer are individually tracked, together with its future service rate at each valuation .
Funding level	The ratio of assets value to liabilities value: for further details (see 2.2).
Future service rate	The actuarially calculated cost of each year's build-up of pension by the current active members , excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial

assumptions.

Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be “fixed interest”, where the interest payments are level throughout the gilt’s term, or “index-linked” where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer’s covenant to be as strong as its guarantor’s.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
Liabilities	The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit . It is calculated on a chosen set of actuarial assumptions .
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members’ contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer’s position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Past service adjustment	The part of the employer’s annual contribution which relates to past service deficit repair.
Pooling	Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit , or (if

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formally agreed) it may allow **deficits** to be passed from one employer to another. For further details of the Fund's current pooling policy (see [3.4](#)).

Primary Contribution Rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses).
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary Contribution Rate	The difference between the employer's actual and Primary contribution rates. In broad terms, this relates to the shortfall of its asset share to its funding target.
Solvency	In a funding context, this usually refers to a 100% funding level , ie where the assets value equals the liabilities value.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Theoretical contribution rate	The employer's contribution rate, including both future service rate and past service adjustment , which would be calculated on the standard actuarial basis , before any allowance for stabilisation or other agreed adjustment.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2013), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Royal Borough of Greenwich Pension Fund

Statement of Compliance

UK Stewardship Code for Institutional Investors

Introduction

The Financial Reporting Council (FRC) published the UK Stewardship code, setting out seven principles of good practice on engagement with investee companies, to which the FRC believes institutional investors should aspire. The aims of the code align closely with the fifth Myners principle. The Royal Greenwich Pension Fund's compliance with the Myners principles is detailed in the Fund's Investment Strategy Statement and this statement contributes to that compliance.

Statement of Compliance

So as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should...

Principle 1

"...publicly disclose their policy on how they will discharge their stewardship responsibilities."

The Royal Borough of Greenwich Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and encourages its appointed fund managers to do so too. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy.

The Fund's Investment Strategy Statement sets out the funds compliance with Principle 5 of the Myners principles (Responsible Ownership) along with the funds voting guidelines. The Fund's equity managers vote on the Fund's behalf at the Annual General Meetings of companies, in which the Fund holds shares, paying heed to these voting guidelines.

Principle 2

“...have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.”

The Fund encourages its fund managers it employs to have effective policies addressing potential conflicts of interest. In respect of conflicts of interest within the fund, pension panel members are required to make declarations of interest prior to panel meetings.

Principle 3

“...should monitor their investee companies.”

Day-to-day responsibility for managing the Fund’s equity holdings is delegated to the appointed fund managers and the Fund expects them to monitor companies, intervene where necessary and report back regularly on activity undertaken.

Membership of the Local Authority Pension Fund Forum (LAPFF) enables alerts surrounding specific companies to be communicated in a timely manner.

Principle 4

“...establish clear guidelines on when and how they will escalate their stewardship activities as a method of protecting and enhancing shareholder value.”

Responsibility for day-to-day interaction with companies is delegated to the Fund’s investment managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship code.

Principle 5

“...be willing to act collectively with other investors where appropriate.”

The Fund has joined other shareholders in maximising shareholder value through class actions.

The Fund is a member of the LAPFF through which it collectively exercises a voice in respect of corporate governance issues.

Principle 6

“...have a clear policy on voting and disclosure of voting activity.”

In respect of shareholder voting, the fund exercises all votes attaching to its UK equity holdings, and seeks to vote where practical in overseas markets. Responsibility for the exercise of voting rights has been delegated to the Fund’s appointed investment managers. Voting Intention Guidelines are included within the Fund’s Investment Strategy Statement.

Principle 7

“...report periodically on their stewardship and voting activities.”

Voting activity is received by the Fund and is reported to the Panel on an exception basis.

Royal Borough of Greenwich Pension Fund

Knowledge and Understanding Policy and Framework

I Background

- 1.1 This document sets out the Knowledge and Understanding Policy for the Royal Borough of Greenwich Pension Fund. It incorporates the Knowledge and Skills Policy Statement previously adopted by the Pension Fund Investment and Administration Panel.
- 1.2 It is a requirement under the Public Service Pensions Act 2013 for LGPS funds to set up a Local Pension Board. The Act requires the Pensions Regulator to produce a code of practice detailing the knowledge and skills requirements for Board members. In January 2015, the Shadow Scheme Advisory Board also issued guidance on the knowledge and understanding of Local Pension Boards within the LGPS. This guidance is not statutory but is held in high regard due to its local government specific context.
- 1.3 The Royal Borough of Greenwich, as the administering authority of the Royal Borough of Greenwich Pension Fund, adopted the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills issued by the Chartered Institute on Public Finance and Accountancy in 2011 (and subsequently redrafted in July 2013). The code is underpinned by 5 key principles:
 - 1 Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of the public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
 - 2 Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
 - 3 Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension's scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

- 4 The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
- 5 The organisation has designated a named individual to be responsible for ensuring that policies are implemented.

1.4 The Royal Borough of Greenwich recognises that effective financial administration and decision-making can only be achieved where those involved have the necessary knowledge and skills. Accordingly, the Royal Borough of Greenwich will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.

1.5 The strategy covers the knowledge and understanding of the following groups:

- Members of the Local Pension Board ('the Board')
- Members of the Pension Fund Investment and Administration Panel ('the Panel')
- Officers of the administering authority responsible for the management of the Fund

1.6 These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*. The framework covers six areas of knowledge:

- Pensions legislative & governance context
- Pension accounting and auditing standards
- Financial services procurement & risk management
- Investment performance & risk management
- Financial markets & products knowledge
- Actuarial methods, standards & practice

1.7 The Royal Borough of Greenwich has adopted the following Knowledge and Skills Policy Statement:

- The Royal Borough of Greenwich recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension fund are fully equipped with

the knowledge and skills to discharge the duties and responsibilities allocated to them.

- The Royal Borough of Greenwich therefore seeks to utilise individuals who are both capable and experienced and it will provide / arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

2 Objectives

2.1 The objectives of the strategy are to:

- Ensure that Board members meet the legal requirements placed upon them in respect of knowledge and understanding of the local government pension scheme.
- Ensure Panel members have adequate knowledge and skills to enable informed decision making
- Ensure that Officers have adequate knowledge and skills to manage the administration and investment arrangements of the Fund.

3 Delivery

- 3.1 The Fund will collaborate with its investment advisers, fund managers, actuary and other stakeholders in the delivery of its training.
- 3.2 Newly appointed members of both the Pensions Panel and the Pensions Board will receive induction training, carried out by the Fund's investment advisors. The induction will cover the requirements of their roles and the training strategy.
- 3.2 The training strategy will be delivered to all Board and Panel members via a rolling programme of training, ensuring that the key six areas of knowledge covered by the code are reviewed at least annually. Relevant officers will also receive this training.
- 3.3 Where appropriate, knowledge and skills requirements will be met via in-house training, external training and attendance at relevant networks.

- 3.4 A Training Plan will be produced on an annual basis and will be updated as necessary to account for any changes in legislation, updated guidance and other relevant changes. Alongside the training plan, officers will maintain a training register which will hold details of training courses/events available alongside details of who has attended.
- 3.5 The Royal Borough of Greenwich has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Director of Finance, who will act in accordance with the organisation's policy statement and with CIPFA Standards of Professional Practice.
- 3.6 Pension Board members will use the e-learning toolkit provided by the Pensions regulator to undertake a personal training needs analysis, put in place a personalised training plan in order to meet the statutory obligations placed upon them. Whilst there is no statutory obligation placed on them to do likewise, Panel members are encouraged to do the same.
- 3.7 Each year the Fund will hold an annual 'away day' for officers, Board members and Panel members. This is an opportunity to cover training on a vast number of topics

4 Review and measurement of effectiveness

- 4.1 The Royal Borough of Greenwich Pension Fund will report on an annual basis how these policies have been put into practice throughout the financial year.
- 4.2 We have worked with our advisers in putting together, template monitoring sheets that can record collectively or individually training achievements. This is done to comply with CIPFA and MiFID II requirements.
- 4.3 Monitoring will help develop personalised training plans which will be used to document and address any knowledge/skills gaps and update areas of learning where deemed necessary. This will assist in the acquisition of new areas of knowledge in the event of change.

5 Training methods

- 5.1 There are numerous methods and materials available to help prepare and equip individuals to perform their respective roles. Options include (but are not limited to) –

- On site or off site
- Collaborating with other Funds
- A full day to cover many topics in one go
- A formal presentation
- A workshop with participation
- Spotlight sessions - short sessions on topical issues or scheme-specific issues
- Informal discussion
- One to one

5.3 Risk Management

The compliance and delivery of a training plan is at risk in the event of –

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

5.4 These risks will be monitored and appropriate records of learning programme maintained, in order to minimise the risk.

Royal Borough of Greenwich Pension Fund Communications Policy

The following statement covers the policy of the Royal Borough of Greenwich in its role as the administering authority for the Royal Borough of Greenwich Pension Fund as required under Regulation 61 of the Local Government Pension Scheme Regulations 2013.

Purpose of a communications policy statement

The Regulations on scheme communications require an administering authority to prepare, maintain and publish a policy statement taking account of relevant stakeholders. These include:

- Scheme Members
 - Active members
 - Deferred members
 - Pensioners / Dependants
- Prospective Members
- Scheme Employers
- Prospective Employers
- Trade Union and other scheme member representatives

The Policy must take into account:

- The format of communication
- The frequency of communication
- The method of distribution
- The promotion of the scheme to prospective members and their employers

This statement must be revised and published following a material change in policy on any of the matters referred to above.

When deciding how to communicate we take into consideration our audience and the cost to the Fund. We aim to use the most appropriate means of communication for the audiences receiving the information.

A range of scheme literature, fund documents and policies are available on our website <http://www.royalgreenwich.gov.uk/pensions> . These are also supplied to employing bodies and Scheme members directly when appropriate.

Information on the pension board can also be found on our website.

We provide a generic email address, pensions@royalgreenwich.gov.uk. This enables members to email their queries which are picked up and passed to the relevant member of staff. Alternatively the Pension team can be contacted by telephone, in writing or in person.

Data Protection

The Royal Borough of Greenwich has a duty to protect personal information and will process personal data in accordance with GDPR and the Data Protection Act 2018. The Fund may, if it chooses, from time to time share personal data with third parties, including our contractors, advisors, government bodies and dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under law, and in connection with the provision of services that help us carry out our duties, rights and discretions in relation to the Fund. These organisations are listed in the full Privacy Notice.

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

In some cases recipients of your personal data may be outside the UK. If this occurs, we will make sure that appropriate safeguards are in place to protect your data in accordance with applicable laws.

Further information can be found in the Full Privacy Notice at the following link www.royalgreenwich.gov.uk/pensionprivacynotice .

Our future Plans

We recognise the importance of accurate, timely and appropriate communications and continually review how we communicate with our stakeholders. In the future we plan to:

- Promote the use of our website
- Promote the use of member self-service and explore the possible expansion of its functionality including on line pension forecasts and statements
- Move towards greater use of email communication
- Continue to review scheme literature

Contact details

Finance Directorate
Pensions Section
The Woolwich Centre
35 Wellington Street
Woolwich
London
SE18 6HQ

Telephone: 020 8921 4933

Email: pensions@royalgreenwich.gov.uk

Website: www.royalgreenwich.gov.uk/pensions

Communications Policy

Communications with Scheme Members

Active Members Communication Material	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
New Starter Information	✓				On joining and when enrolled under Automatic enrolment duties	Direct to home address
Changes to membership	✓	✓			When there is a material change to pension details	Direct to home address or email
Annual Benefit Statement	✓				Annually	Direct to home address
Annual Allowance Statements and information	✓			✓	Annually to affected members or requested by member	Direct to home address/face to face meeting
AVC contribution statements	✓				Annually	Direct to home address
Ceasing scheme membership	✓				When membership of the scheme ceases	Direct to home
Scheme guides	✓	✓	✓		On joining and where the member opts out.	Direct to home address, website
Changes to Scheme Regulations	✓		✓		As required but within regulatory guidelines	Direct to home address/website
Information and guides on the pension scheme			✓		Updated as required	Via website available to all members
Presentations (such as pre-retirement)				✓	As required	As appropriate
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Self Service facilities: Personal Details*			✓		As required by member	Via Secure Website
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Deferred Members Communication Material	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Deferred Benefit Statement	✓				Annually	Direct to home address
Retirement Option on reaching age 55 and Normal Pension age (NPA)	✓				Automatically at NPA or as requested by member	Direct to home address
Changes to Scheme Regulations that have an affect	✓		✓		As required but within Regulatory guidelines	Direct to home address/website
Information and guides on the pension scheme			✓		Updated as required	Via website available to all members
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Self Service facilities: Personal Details*			✓		As required by member	Via Secure Website
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Pensioners & Dependants Communication Material	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Payslip	✓				Upon commencement of pension. Then issued twice a year (April and May). Further payslips issued if there is a change of £5 or more in Gross Pay	Direct to home address
P60	✓				Annually	Direct to home address
Notification of Pensions Increase	✓				Annually included with April payslip	Direct to home address
Changes to Scheme regulations that have an affect	✓		✓		As required but within Regulatory guidelines	Direct to home address/website
Information and guides on the pension scheme			✓		Updated as required	Via website available to all members
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Self Service facilities: Personal Details and view payslips*			✓		As required by member	Via Secure Website
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Prospective Members	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Communication Material						
Scheme Guide	✓	✓	✓		As requested	Direct to home address, website
Scheme Presentations				✓	As required	As appropriate
Information and guides on the pension scheme			✓		Updated as required	Via website available to all members
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Scheme Employers & Prospective Employers

Scheme Employers	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Communication Material						
Dedicated liaison officer - Visits, training and contact point for all employers	✓	✓	✓	✓	As required	Deputy Pension Operations Manager
Changes to the Scheme Regulations	✓		✓	✓	As required but within Regulatory guidelines	Direct to employer
Actuarial information		✓			Annually / Triennially/ as required by employers	Direct to employer
Training		✓		✓	As required	As appropriate
Presentations				✓	As required	As appropriate
Information, forms, statements and guides on the pension scheme		✓	✓		Issued and updated as required	Via website available to all employers
Full administration service	✓	✓	✓	✓	Daily	As appropriate
RBG Pension Fund Investment and Administration Panel			✓		Quarterly as a minimum	Via website available to all employers
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Prospective Employers Communication Material	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Dedicated liaison officer	✓	✓	✓	✓	As required	Head of the Pension Service
Information on Scheme Regulations	✓	✓	✓	✓	As required within Regulatory guidelines	Direct to employer
Actuarial information	✓	✓		✓	Before becoming a new employing authority	Direct to new employer
Training				✓	As required	As appropriate
Presentations				✓	As required	As appropriate
Information, forms, statements and guides on the pension scheme		✓	✓		Issued and updated as required	Via website available to all employers
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Trade Unions/Other Scheme Member Representatives

Trade Unions/Other Scheme Member Representatives	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Communication Material						
Training				✓	As required	As appropriate
Presentations				✓	As required	As appropriate
Information, guides on the pension scheme			✓		Updated as required	Via Website available to all members
RBG Pension Fund Investment and Administration Panel			✓		Panel Meetings, quarterly as a minimum	Employee Representative
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

* Currently unavailable

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
Administrative	A												
Contributions	A1	Failure to collect or inaccurate record-keeping leading to potential loss of income and liquidity.	2	4	8	<p>Employers monitored against requirements of relevant legislation.</p> <p>Employers monitored against requirements of Fund KPIs.</p> <p>Overdue contributions actively chased from employers</p> <p>Persistent, significant or negligent failure reported to the Pensions Regulator</p> <p>Cashflow forecast monitored.</p>	This is undertaken monthly.	2	2	4	↔	Alison Brown	31/12/18
Data Protection (GDPR)	A2	Data is lost or misused leading to service disruption and / or breach of Data Protection legislation.	3	3	9	<p>Password / encryption.</p> <p>Files transfers.</p> <p>Back-ups.</p> <p>Training.</p>	<p>Data is backed up on a daily basis in a secure manner for 30 days.</p> <p>Files containing member information are encrypted/password protected prior to transmission.</p> <p>Staff are trained on the data they can and cannot provide.</p> <p>Use of secure email portals.</p>	2	2	4	↔	Kelly Scotford	31/12/18
Data Quality	A3	Poor maintenance and procedures leading to inaccurate data base with subsequent information degradation.	3	3	9	<p>Document internal procedures and processes and undertake internal training to prevent errors within pension team. Checked against human resources system iTrent and every other year and periodically traced.</p> <p>Investigate returned mail.</p>	<p>Training notes/checklists used for most tasks, and checked by senior officers.</p> <p>All returned mail investigated and gone away indicator used where necessary.</p>	3	3	9	↔	Alison Brown	31/12/18

					<p>Tracing agencies.</p> <p>Annual data cleansing.</p> <p>IConnect used for data transfer from Itrent payroll to Pension System for all relevant organisations paid by Greenwich Payroll team. This matches data on a monthly basis. Problems can be immediately recognised.</p> <p>Data Quality Measure and Improvement</p> <p>Employer engagement / training to prevent future errors.</p> <p>Master list of employer contacts updated annually.</p>	<p>Further bulk address tracing due to be carried out, individual DWP traces can be carried out as and when required.</p> <p>Annual Data cleanse undertaken as part of the year-end Annual Benefit Statement preparation.</p> <p>Reports being run by management for all organisations, discrepancies investigated when loading.</p> <p>Data Quality measured and scored in line with TPR guidelines in September 18, report provided with suggested resolution for any issues. Data improvement plan under review to incorporate address tracing using a tracing agency for relevant members.</p> <p>Written information factsheet provided with year end return for employers with external payroll. Officers available for employer training as and when required. Contact sheets issued to employers for review Feb 2019.</p>							
Fraud by Member	A4	An act to gain a benefit not lawfully due.	3	2	6	<p>National Fraud Initiative.</p> <p>Payslips twice a year.</p>	<p>The fund participates in the NFI exercise of cross-matching personal details.</p>	2	2	4	↔	Alison Brown	31/03/18

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					Primary documentation (birth / marriage / death certificates).	Pensions ceased on any returned mail pending investigation.							
Fraud by Staff	A5	An act to gain an unlawful financial benefit.	3	2	6	IT Audit log. Peer review. Locked secure records. Declaration of interest.	The pension team has a dedicated workspace. Management supervision is used as part of the peer review process. The work of the section is reviewed periodically by External and Internal audit.	1	2	2	↔	Kelly Scotford	31/03/18
Business Continuity (including ICT)	A6	Unavailability of premises and/or ICT leading to being unable to administer pension payroll and administrative records.	2	4	8	Business continuity arrangements.	Arrangements for non-pension specific premises issues and the core ICT environment are managed through the Corporate Risk Register. The pensions system itself has regular backups. The Pension system contract expires in August 19 and will be out to tender. If there are issues with this procurement, it could expose the fund to major risk. This is currently being monitored by senior management	3	4	12	↔	Kelly Scotford	31/12/18
Making payments	A7	Incorrect calculations leading to payment errors.	2	3	6	Training. Peer review.	The auditor reviews the peer review process. Benefit calculations are double checked before they come into payment with appropriate sign off levels in place.	1	3	3	↔	Alison Brown	31/12/18

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					IT test system	For any changes to pension entitlements under legislations or guidance or changes to the pension system calculations a test environment is used for user acceptance testing before going live, to ensure payment calculations are correct. Staff are trained and updated checklists provided. Rec done quarterly						
Over-reliance on key staff	A8	Reliance on critical knowledge centred on few individuals leading to risk of loss of skills and knowledge with those staff.	4	3	12	Training.	New staff have been recruited and training given. Training is being provided to a wider number of staff and work has been reallocated to remove any single points of failure.	3	3	9	↕	Kelly Scotford 31/12/18
Provision of information	A9	Failure to administer scheme appropriately leading to incorrect decisions being made by members and the Fund that could adversely financially affect various stakeholders.	3	4	12	Specific post with responsibility for technical updates. Receiving appropriate training in all current and new technical areas.	Various members of staff including the Head of Pensions and Pensions Operations Manager attend seminars, training sessions, receive updates from professional advisors and circulations from the regulatory bodies. The Assistant Director of Financial Operations is the secretary of the JPG technical sub group.	2	2	4	↔	Alison Brown 31/12/18
Third Party Failure	A10	Failure of fund manager / custodian.	1	3	3	Selection and monitoring. Reports on internal controls received for each fund manager. Audit reports.	Investment consultant undertakes continued research and monitoring of investment managers.	2	2	4	↕	Julian Gocool 31/12/18

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						Assets are held on a nominee basis by the custodian.							
Completeness of Published Accounts	A11	Failure to disclose relevant facts in the Report and Accounts or during the audit leading to qualification of the accounts.	2	4	8	Training of staff involved in production of the accounts. Review accounts by the AD corporate Finance before submission to external audit.	2017-18 accounts were unqualified.	1	3	3	↔	Damon Cook	31/12/18
Accuracy of published accounts	A12	Production of incorrect accounts, notices and publications leading to qualification of the accounts.	2	4	8	Training of staff involved in production of the accounts. Peer review accounts before submission to external audit.	2017-18 accounts were unqualified.	1	4	4	↔	Damon Cook	31/12/18
Poor Panel and Local Pension Board (LPB) succession planning	A13	Failure to plan for turnover in Panel / Board members leading to vacant posts on panel and/or shortfall in knowledge and skills of Panel/ Board members.	3	3	9	Awareness of known future events with potential to impact on Panel membership e.g. local elections. Rolling training programme for Panel Members including induction for new Members.	Current Board members has been given induction training. Knowledge and Understanding Policy agreed and adopted.	1	3	3	↔	Julian Gocool	31/12/18
Insufficient delegation from Members to Officers	A14	Failure of Panel to delegate matters, which should be undertaken by officers, delaying taking of important decisions by Members.	2	3	6	Ensure Scheme of Delegation in place. Rolling review of Officer/ Member delegation.	Fund managers meetings delegated to officers.	1	2	2	↔	Julian Gocool	31/12/18
Completeness of Published pension board Report and information	A15	Failure to disclose relevant facts in the Report leading to criticism by the Pensions Regulator, CLG and other national organisations.	2	4	8	Training of staff involved in production of the Report. Review of Report by the Finance Manager		1	4	4	↔	Julian Gocool	31/12/18
Accuracy of published pension Board Report and information	A16	Production of incorrect accounts, notices and publications leading to qualification of the accounts.	2	4	8	Training of staff involved in production of the Report.		1	4	4	↔	Julian Gocool	31/12/18
Discrimination	A17	Failure to provide information in a suitable format where requested (e.g. braille,	2	3	6	Investigate need to provide information in an alternative format and source appropriate	Reports all provided in the standard variety of formats as required by RBG corporate policy.	1	3	3	↔	Alison Brown	31/12/18

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		large print, other language, etc.).			suppliers to be used by the Council where required.								
Compliance / Regulatory	C												
Austerity	C1	Leading to employers getting into financial difficulties, leading to an increase in member opt outs.	5	4	20	Employer/member communication.	The level of member opt outs is being monitored, however auto enrolment has increased the net membership. Next auto enrolment intake in 2019.	4	3	12	↔	Kelly Scotford	31/12/18
New Employer Types	C2	Increase in employers requiring enhanced service.	5	4	20	Professional advice. Employer engagement. Provision of employer training on joining the Fund and ongoing where required.	Increase in academies / free schools and arms-length bodies generating additional technical work in determining employer rates and monitoring. Provision of RBG payroll services to external bodies insures information provided in correct format. Training for all members as requested.	4	3	12	↔	Kelly Scotford	31/12/18
Scheme Change	C3	Leading to large number of opt outs	5	4	20	Monitoring. Communication. Training.	Further scheme changes will be monitored and communicated as appropriate in the future.	3	3	9	↔	Alison Brown	31/12/18
Conflicts of Interest	C4	Failure to recognise conflicts of interests that are likely to prejudice an individual's ability to perform their role on either the Panel or LPB.	1	4	4	Conflicts policy. Members Code of Conduct. Member and LPB registers of personal and financial interests. Governance training.	Member declarations formally recorded at each Panel meeting and as part of the published accounts. Material Related Party Transactions published in accounts.	1	3	3	↔	Veronica Johnson	31/12/18
Socially irresponsible business practices	C5	Failure to manage the Fund in line with socially responsible business practices as	2	4	8	Membership of the Local Authority Pension Fund Forum.	Statement on socially responsible business practices outlined in Statement of Investment Principles.	2	2	4	↔	Julian Gocool	31/12/18

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		well as Council or Fund policies.			Monitoring application of local policies.									
Key performance indicators (KPIs)	C6	Failure to have formal KPIs in place and to monitor these regularly, leading to officers being unable to produce accurate performance management reports or to provide information to CLG and others where required.	3	2	6	KPIs to be in place as per business plan.			1	2	2	↔	Julian Gocool	31/12/18
Employer	E													
Cessation	E1	Employer ceases to make contributions to the fund, having an inadequate alternative funding, bond or guarantee in place, generating a deficit to be recovered by residual employers	5	3	15	<p>Monitor Risk profile:</p> <ul style="list-style-type: none"> • Employer Type • Funding Source • Strength of covenant • Open/closed • Accounts/credit • Admin records • Bond/guarantee • Deficit recovery period • Active Members 	<p>All employers subject to financial health check.</p> <p>Funding Strategy Statement band like employers together.</p> <p>Consideration of bond / guarantee is given for new employers.</p>		4	3	12	↔	Julian Gocool	31/12/18
Contribution	E2	<p>Shortfall arising from change in employer's membership / status.</p> <p>Employee participation rate falls.</p>	3	3	9	<p>Employers reminded to advise administering authority of changes.</p> <p>Risk profiling.</p> <p>Effective communication with stakeholders.</p>	Monitoring of employers' active members.		3	2	6	↔	Julian Gocool	31/12/18
Employer covenants	E3	Failure to monitor employer covenant, or being unaware of changes within an employer (e.g. changes to membership or closing to new entrants) leading to inappropriate funding strategy and risk of unrecovered debt on cessation of participation in the Fund.	3	3	9	<p>Employer 'healthcheck' spreadsheet developed and maintained by officers.</p> <p>Employer engagement.</p>	All employers subject to periodic financial health check including review of covenant arrangements.		3	3	9	↕	Julian Gocool	31/12/18

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Employer database	E4	Failure to maintain employer database leading to information being lost or issued to the wrong person.	2	3	6	Employer engagement. Develop and maintain electronic employer contacts list.	This is verified annually.	1	2	2	↔	Alison Brown	31/12/18
Investment	I												
Asset Concentration	11	Under performance in an over concentrated area leading to reduced funding level and increase in employer contributions.	3	3	9	Regulations. Monitor against benchmark. Diversification.	Investment managers contracted to comply with Regulations and Fund's Statement of Investment Principles. This is reviewed quarterly against the benchmark allocation.	2	3	6	↔	Julian Gocool	31/12/18
Asset / Liability mismatch	12	Asset mix insufficient to generate funds to meet liabilities resulting in lower funding level, inappropriate deficit recovery period and increased employer contributions.	4	4	16	Asset / liability study. Diversification. Frequent monitoring.	The Panel has agreed a new asset allocation going forward, greater reflecting the asset/liability mix required. This has been implemented. New asset/liability plan for 2018/19	2	2	4	↔	Julian Gocool	31/12/18
Corporate Governance	13	A stock held by the Fund performs poorly as a result of poor governance structure leading to a reduction in value.	3	3	9	Stewardship Code. Membership of Local Authority Pension Fund Forum.	Primary fund managers comply with the Stewardship Code. LAPFF alert funds to specific issues for action. Issues will be raised at panel meetings.	2	2	4	↔	Julian Gocool	31/12/18
Counterparty Default	14	The counterparty to a transaction defaults on their element leading to a potential loss for the fund.	2	3	6	Custodian. Legislation.	All transactions are reconciled between the investment manager and the custodian.	1	2	2	↔	Julian Gocool	31/12/18
Currency	15	A sharp and adverse movement in the currency exchange rate leading to a reduction in the value of non-sterling denominated assets.	3	3	9	Investment advice. Diversification. Increasing amount non-sterling holdings will increase our currency risk	Fund managers can hedge against currency fluctuations if required.	3	3	9	↔	Julian Gocool	31/12/18

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Funding Risk	17	Investment strategy inconsistent with funding plan leading to incorrect employer contribution rate.	3	4	12	Triennial / interim review linked with funding strategy. Asset liability study. ISS (Investment Strategy Statement)	New strategy implemented.	3	3	9	↔	Julian Gocool	31/12/18
Illiquidity	18	Assets sold at depressed valuation / investment opportunity missed. Inability to realise investments to pay benefits.	4	5	20	Limit on illiquid assets. Cash flow forecast.	Property and Private Equity represent a relatively small part of the portfolio.	3	4	12	↔	Julian Gocool	31/12/18
Investment Return	19	If less than actuarial assumption could lead to increased deficit and additional contributions.	4	4	16	Diversified portfolio. Periodic asset liability study. Extended deficit recovery period.	Returns are monitored. Funding Strategy Statement is consistent with triennial valuation.	3	4	12	↔	Julian Gocool	31/12/18
Manager Performance	110	Fund manager underperforms benchmark.	3	3	9	Manager selection and monitoring. Appropriate benchmarks.	Quarterly monitoring reports are made to Panel and action undertaken in respect of poorly performing managers. Manager performances have been in line with their respective benchmarks in the medium term.	3	3	9	↕	Julian Gocool	31/12/18
Stock Lending	111	A counterparty to stock lending could default leading to a loss of fund assets.	1	1	1	Review of stock lending policy.	Current policy is that there is no direct stock lending. There may be stock lending within the underlying assets of unitised vehicles. Potential loss to the fund is minimal however .	1	1	1	↔	Julian Gocool	31/12/18
Systemic Risk	112	Financial market volatility affecting multiple asset classes leading to sharp reduction in assets.	3	5	15	Diversification. Liquidity Levels. Custody arrangements.	The last few years have demonstrated that even the most diversified of funds has been affected by systemic risk. Recent	4	3	12	↕	Julian Gocool	31/12/18

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						market volatility has further emphasised this e.g. Brexit.							
Treasury Investment	114	Surplus contributions not invested.	3	1	3	Contributions monitoring. Cash flow forecasts.	A detailed cashflow forecast is maintained.	2	1	2	↔	Julian Gocool	31/12/18
Transition	115	A transfer of assets between managers is undertaken without sufficient controls in place leading to a loss of assets.	3	3	9	Pre-transition report. Post trade report. Reconciliations.	Each transition that the fund has undertaken is fully reconciled to ensure integrity of the transfer.	2	2	4	↔	Julian Gocool	31/12/18
Transition Managers	116	Assets allocated to transition managers for a longer period of time than intended, potentially leading to an imbalanced asset allocation.	3	3	9	Investment strategy review finalised and assets allocated appropriately.	Fund have now embedded with new managers. Matching the asset allocation.	1	3	3	↕	Julian Gocool	31/12/18
Investment return	117	Risk of missing opportunities to maximise returns.	1	4	4	Quarterly review of investment performance. Periodic review of asset allocation structure.	Advice taken on regular basis from investment advisers regarding investment performance and asset allocation including rebalancing	1	3	3	↔	Julian Gocool	31/12/18
Management information	118	Insufficient management information available about the position of the Fund leading to uninformed decision-making.	1	4	4	Provision of management reports to Panel. Training programme for Members and Officers. performance reporting reviewed.	Regular management reports presented to Panel covering a range of Pension Fund issues. Formal rolling training programme in place for Members and Officers.	1	3	3	↔	Julian Gocool	31/12/18
Investment decisions	119	Delays in implementation of decisions reducing the effectiveness of the decision.	2	4	8	Panel minutes recording formal decisions. Scheme of delegation in place for officers to carry out decisions.	Regular Panel meetings mean Members have the opportunity to request updates on the implementation of decision taken.	1	4	4	↔	Julian Gocool	31/12/18
Manager mandates	120	Insufficient scrutiny of manager mandates and terms of business leading to inappropriate fee levels or other costs.	2	3	6	Review of manager mandates. Review of fee invoices.	Mandates reviewed on a regular basis. Invoices from managers reviewed prior to payment. Fund have legal advisor that can review new mandates	1	3	3	↔	Julian Gocool	31/12/18

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London CIV	I2I	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers	3	2	6	Reports from IAC from Deputy S151's and CIV briefings. Panel's chair attend London CIV AGM	Regular review of London CIV developments.	3	2	6	↔	Julian Gocool	31/12/18
Liability (Demographic)	LD												
Early retirements	LD1	Frequency beyond assumption further increasing liabilities, reducing funding levels and increasing employer contributions.	3	3	9	Monitor experience. Build control into admission agreement. Employers required to pay sums where appropriate.	The Panel receives details of fund strains every 6 months.	2	2	4	↔	Alison Brown	31/12/18
Ill health	LD2	Frequency beyond assumption further increasing liabilities, reducing funding levels and increasing employer contributions.	3	3	9	Consider allowance per employer at the next valuation. Ill Health Liability insurance to be considered. Monitor experience. Invoice employer for excess amounts. Build control into admission agreement.	The triennial valuation provides details of experience versus actuarial assumption.	2	2	4	↔	Julian Gocool	31/12/18
Longevity / Mortality	LD3	Improvement beyond assumption further increasing liabilities, reducing funding levels and increasing employer contributions.	3	3	9	Regular longevity monitoring. Prudent actuarial assumption. Compare local experience. Allow for increase.	The triennial valuation provides details of experience versus actuarial assumption.	2	2	4	↔	Julian Gocool	31/12/18
Liability (Financial)	LF												
Discount rate	LFI	Yields change beyond assumptions further increasing liabilities, reducing funding levels and increasing employer contributions.	3	4	12	Frequent market monitoring. Prudent assumption adoption. Hold assets matching liabilities.	The triennial valuation has set the discount rate for the next three years. The fund is updated by the investment consultant as to the	2	4	8	↔	Julian Gocool	31/12/18

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						movement in the discount rate.							
Inflation rate	LF2	Levels different from actuarial assumptions leading to increase in employer contributions.	3	3	9	Anticipate re deficit contributions. Prudent assumption at valuation. Hold assets matching inflation linked liabilities.	The triennial valuation provides details of experience verses actuarial assumption. The fund is updated by the investment consultant as to the movement in the inflation rate.	3	3	9	↔	Julian Gocool	31/12/18
Salary increases	LF3	Levels different from actuarial assumptions leading to increase in employer contributions.	2	3	6	Employer / Government control. Prudent assumption at valuation. Final salary / CARE.	Effect of reducing liabilities following introduction of a CARE scheme compared with a final salary scheme.	2	2	4	↔	Julian Gocool	31/12/18
Employer funding	LF4	Over or under cautious determination of employer funding requirements.	2	3	6	Actuarial valuation.	Employer funding requirements determined by Fund actuary.	1	3	3	↔	Julian Gocool	31/12/18
Liability (Other)	LO												
Regulatory Change	LO1	Regulation/legislation/ taxation changes requiring increased contributions/additional benefits.	2	4	8	Monitor and respond where appropriate to Government consultations. Dialogue with employers of potential impacts. Build into valuations.	The main changes are covered elsewhere within this register. The number of changes continues to increase.	2	4	8	↔	Julian Gocool	31/12/18
Reputational	R												
Performance	R1	The fund receives adverse publicity through holding a stock that has encountered performance issues related to corporate governance failure.	3	3	9	Stewardship Code. Membership of Local Authority Pension Fund Forum.	Primary fund managers comply with the Stewardship Code. LAPFF alert funds to specific issues for action.	3	2	6	↔	Julian Gocool	31/12/18
Transactional	R2	Ultra vires action.	2	5	10	Section 151 overview.	The workings of the fund are maintained under the direction of the section 151 officer.	1	5	5	↔	Debbie Warren	31/12/18
Peer performance	R3	Investment returns below peer group funds or excessive risk levels relative to peer group leading to	3	4	12	Peer performance comparison.	Comparison of performance against peers undertaken on a regular basis.	2	4	8	↔	Julian Gocool	31/12/18

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		reputational damage for the Fund.											
Complaints	R4	Failure to maintain appropriate records and follow correct procedures and to deal with complaints appropriately leading to reputational damage for the fund.	3	4	12	Council complaints procedure. Internal disputes resolution procedure. Employer engagement / training to address employer specific issues.	Internal disputes resolution procedure sets out clearly how complaints regarding pension scheme decisions will be dealt with. Council complaints procedure sets out clearly how general complaints relating to staff performance/attitude are to be dealt with.	2	3	6	↔	Alison Brown	31/12/18
Contract infringement	R5	Infringement of contracts for the supply of services to the Fund leading to reputational and financial loss.	3	4	12	Contract monitoring. Legal department review new contracts.	Contract monitoring undertaken by officers.	2	4	8	↔	Julian Gocool	31/12/18
Administration service cost	R6	Risk that excessive costs of administration could lead to a loss of reputation.	2	4	8	Benchmarking costs against peers and Regular performance measurement. Seeking opportunities to introduce efficiencies.	Administration is reported in the Pension Fund annual report	1	4	4	↔	Julian Gocool	31/12/18
Business continuity	R7	Failure to maintain adequate BCM arrangement	2	4	8	RBG BCM	Kept under review	1	4	4	↔	Julian Gocool	31/12/18
Maintaining risk register	R8	New risks are not identified and placed on risk register where appropriate. Risk register is not regularly reviewed and kept up to date.	3	4	12	Put process in place to regularly review risk register.	Panel Reviews the Risk Register on an annual basis.	1	4	4	↔	Julian Gocool	31/12/18
Breaches	R9	Failure to report breaches of the law to the Pensions Regulator.	3	3	9	Training of officers, Councillors and pension board members on their legal responsibilities Ongoing monitoring of legal responsibilities and follow up training where required.	Pension Board should help stop the organisation from making breaches of regulation.	2	3	6	↔	Julian Gocool	31/12/18

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MIFID	R10	Introduction of European Directive MIFID II results in the restriction of Fund's investment options and an increase in costs	2	2	4	Communicate any change to manager. Review any changes that can impact professional status.	Continue to Maintain an opt-up to professional status.	1	2	3	↕	Julian Gocool	31/12/18
Skills / Resources	S												
Knowledge & Skills	S1	Ensuring Panel members have appropriate level of knowledge and skills to enable them fulfil their roles. High turnover of Councillors on Panel leading to low governance knowledge and skills.	3	3	9	Training for all members including new ones. CIPFA Knowledge & Skills Framework.	Detailed training undertaken in 2016/17 with refresher subjects covered on an on-going basis. Will continue to be reviewed on an on-going basis.	3	1	3	↔	Julian Gocool	31/12/18
		Ensuring officers have appropriate level of knowledge and skills to enable them to fulfil their roles. High turnover of officers leading to inability to undertake required roles.	3	3	9	Training for all officers (internal/external). CIPFA Knowledge & Skills Framework. Recruitment and retention policy.	Detailed training undertaken in 2016/17 with refresher subjects covered on an on-going basis.	1	2	2	↔	Julian Gocool	31/12/18
		Ensuring pension board members have appropriate level of knowledge and skills to enable them fulfil their roles. High turnover of member and employer representatives on the pension board leading to inability to undertake required roles	3	3	9	Training for all pension board representatives (internal/external). Compliance with the Pensions Regulator Code of Practice knowledge and understanding requirement and as a minimum successful completion of the Pension Regulator's public service schemes training modules. Recruitment and retention policy.	Knowledge and Skills Policy and Framework agreed.	1	2	2	↔	Julian Gocool	31/12/18
Resources to support staff	S2	Increase in employers leading to insufficient resources.	3	3	9	Monitor workloads.	Task management system in use to monitor workloads	3	3	9	↔	Alison Brown	31/12/18

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					which is reviewed by senior management.								
		Failure to appoint and monitor professional advisors leading to poor decision making.	2	2	4	Contract monitoring	Full list of relevant contracts provided as part of the annual business plan approved by the Panel.	1	2	2	↔	Julian Gocool	31/12/18
Succession planning	S3	Inadequate succession planning (at all levels) leading to skills gaps following staff turnover, natural wastage or long term absence.	2	4	8	Ensure adequate skills transfer amongst staff. Plan for skills transfer in advance of known events (retirements, elections, end of term of office, etc.).	Engagement with Committee Services on Knowledge and Skills requirements for Panel Members.	1	3	3	↔	Julian Gocool	31/12/18

*Initial score= risk score awarded prior to the application of controls.
 ** Current score= risk score following the application of controls.
 ** Risk level movement= movement in current risk score since register was last formally reviewed by Panel.

Independent Auditor's Report to the Members of Royal Borough of Greenwich on the Pension Fund Financial Statements of Greenwich Pension Fund

Opinion

We have audited the financial statements of Greenwich Pension Fund (the 'pension fund') administered by Royal Borough of Greenwich (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on

the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

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

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they

give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Chief Financial Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Pension Fund Investment & Administration Panel is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

24 July 2019

Royal Borough of Greenwich Pension Fund

2017/18 £000	Fund Account	Notes	2018/19 £000
	<u>Dealings with Members, Employers and Others directly involved in the Scheme</u>		
	Contributions Receivable:		
(33,890)	Employer Contributions	6	(36,026)
(12,624)	Member Contributions	6	(13,507)
(5,975)	Transfers in from Other Pension Funds	7	(2,318)
	Benefits:		
42,066	Pensions	8	44,068
8,273	Lump Sum & Death Benefits	8	10,722
4,134	Payments to and on account of Leavers	9	4,194
1,984	Subtotal: Net (additions) / withdrawals from Dealings with Members		7,133
5,771	Management Expenses	10a	6,085
	<u>Returns on Investment</u>		
(5,488)	Investment Income	11	(5,716)
(43,565)	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		(64,641)
(49,053)	Net Returns on Investment		(70,357)
(41,298)	Net (increase) / decrease in the Net Assets available for Benefits during the year		(57,139)

31 March 2018 £000	Net Asset Statement	Notes	31 March 2019 £000
	<u>Investment assets</u>		
	Pooled Investment Vehicles:		
228,012	Fixed Interest	14	234,327
128,065	Property Unit Trusts	14	137,865
460,317	Unitised Insurance Policies	14	493,174
322,859	Other Unit Trusts	14	329,364
2,200	Property – Freehold	3&13	2,200
9,070	Private Equity	14&22	8,598
106,108	Diversified Alternative	14	114,564
367	Cash Deposits	19	118
7,226	Cash Equivalents	19	7,189
243	Other Investment Balances	18	162
	<u>Investment Liabilities</u>		
(1,097)	Other Investment Balances	18	(1,140)
1,263,370	Net Investment Assets / (Liabilities)		1,326,421
	<u>Current Assets</u>		
347	Contributions Due	18	413
220	Other Current Assets	18	119
12,355	Cash Balances	19	6,236
	<u>Current Liabilities</u>		
(193)	Unpaid Benefits	18	(174)
(769)	Other Current Liabilities	18	(546)
11,960	Net Current Assets / (Liabilities)		6,048
1,275,330	Net Assets of the Scheme available to fund Benefits at the Period End		1,332,469

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2019. The actuarial present value of promised retirement benefits is disclosed in note 16.

Note I – Description of the Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal Borough of Greenwich Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

General

The Royal Borough of Greenwich Pension Fund (the “Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich. It is a defined benefit pension scheme providing pensions and other benefits for employees of the Royal Borough of Greenwich and those organisations with admitted or scheduled body status within the Fund. The Fund is overseen by the Royal Borough of Greenwich Pension Investment and Administration Panel. The Fund is governed and administered in accordance with the Public Service Pensions Act 2013 and the following Local Government Pension Scheme Regulations:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds and Amendment) Regulations 2016

Membership

All employees are able to join the pension scheme (except teachers). Those with a contract of employment of at least 3 months are contractually enrolled into the pension scheme on commencement of employment. Membership of the Fund 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 Fund include:

- **Administering Authority:** This is the Royal Borough of Greenwich (the “Authority”)
- **Scheduled Bodies:** Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund. The scheduled bodies of the Fund are Eltham Crematorium, St Paul’s Academy, Greenwich Service Solutions Limited, Greenwich Service Plus Limited, The Halley Academy, Greenwich Free School, Charlton Park Academy, Harris Academy, Shooters Hill Sixth Form College, Royal Greenwich Trust School, Woolwich Polytechnic School, Stationers’ Crown Woods Academy, St Thomas More Academy, Endeavour Partnership Trust, International Academy of Greenwich, Maritime Academy Trust, Inspire Partnership Trust, Compass Partnership of Schools, Greenwich Catholic School Trust and Leigh Academy Blackheath*.
- **Admitted Bodies:** Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

*New Scheduled Body.

There were 53 active employer organisations within the Fund as at 31 March 2019 (54 as at 31 March 2018). The following table summarises the composition of the registered membership of the Fund as at 31 March 2019.

Membership	Administering Authority		Admitted Bodies		Scheduled Bodies	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Employees contributing into Fund	7,193	6,775	371	353	2,099	1,959
Pensioners / Dependents	6,420	6,561	185	206	217	257
Former Members entitled to Deferred Benefits	7,110	7,895	259	293	695	985
Totals	20,723	21,231	815	852	3,011	3,201

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year end 31 March 2019. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations.

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 updated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Governance

The Royal Borough of Greenwich has delegated management of the Fund to the Pension Investment and Administration Panel. The Panel is made up of four committee members, each with voting rights. The Panel is responsible for agreeing an appropriate investment strategy, review and scrutiny of investment manager performance, quarterly account review and policy statement review. The Panel receives guidance, where appropriate, from the Fund's investment advisors, actuary and Fund managers. The Panel receives regular training in line with CIPFA's Knowledge and Skills Framework.

It is a requirement under the Public Service Pensions Act 2013 for LGPS funds to set up a Local Pension Board. The Royal Greenwich Pension Board is made up of two member representatives and two employer representatives who act in an overview and scrutiny role to ensure strong governance of the Fund. The

Board also receives regular training under the CIPFA Knowledge and Skills Framework. The role and responsibilities of Board Members is set out in the 'Pension Board of the Royal Borough of Greenwich Terms of Reference', which is available on the Royal Borough of Greenwich website.

Investment Principles

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to prepare an Investment Strategy Statement (ISS). The latest ISS was agreed by the Pension Fund Investment and Administration Panel on 17 September 2018 and is available on the Royal Borough of Greenwich website.

The Panel has delegated the day-to-day management of investments to external Investment Managers in line with their relevant mandates. The performance of the Investment Managers is reported on a quarterly basis by the Fund's Investment Advisors.

Note 2 – Basis of Preparation

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

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 17 of these accounts. The most recent actuarial valuation was carried out 31 March 2016 and determines the contribution rates for the next three years from 1 April 2017 with an aim to maintain the solvency of the fund. Therefore, these accounts have been produced on a going concern basis.

Many values throughout the Pension Fund accounts are rounded to the nearest £000; as such, tables and notes may not appear to cross-cast or exactly match the sum of the individual items.

Note 3 – Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contributions

Both employer and member normal contributions are accounted for on an accruals basis. Member contributions rates are set in accordance with LGPS regulations using common percentage rate bandings, which rise in line with pensionable pay. Employer contributions are set at a percentage rate advised by the Fund's actuary as necessary to maintain the Funds solvency.

Transfers to and from other schemes

Individual transfers to and from other schemes are accounted for on a cash basis at which point the related member liability transfers to the fund. Bulk transfers to/from the scheme are accounted for on an accruals basis in line with the terms of the transfer agreement.

Income

- a) Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the reporting period is reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.
- b) 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 reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.
- c) Some pooled investment vehicles within the portfolio are accumulation funds and as such, the change in market value also includes income, which is re-invested in the Fund. The market price for those units reflects this re-invested income. Non-accumulating units give rise to dividends.
- d) Other than unitised holdings (above), freehold property gives rise to rental income. These amounts are recognised on a straight-line basis over the life of the operating lease.
- e) Private Equity distributions are split between their constituent elements i.e. dividend, interest, gain / loss or return of capital, as advised by the Fund manager.
- f) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

Fund Account – Expense Items

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 asset statement as current liabilities.

Taxation

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Any recoverable amounts outstanding at the reporting period end will be classified as a debtor.

The Fund is exempt and approved under Section 1(1) of Schedule 36 of the Finance Act 2004. It is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax. Taxation agreements exist between the UK and certain EU and other countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved may vary from country to country.

Irrecoverable tax is accounted for as a fund expense as it arises. In 2017/18 and 2018/19 the Fund did not pay any Withholding Tax on equities or property unit trusts.

Lifetime Allowance

The Fund may be asked by members to pay tax liabilities in relation to annual allowance and lifetime allowance direct to HMRC in exchange for a reduction in pension. These payments are treated as an in-year expense.

Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016).' These expenses are charged to the Fund on an accruals basis under the headings below:

Administrative Expenses – Staff costs pertaining to the pensions administration team are charged direct to the Fund. Associated management, IT, rents and rates and other overheads are apportioned to financial administration and charged as expenses to the Fund on an annual basis.

Oversight and Governance – These costs include the selection, appointment, performance management and monitoring of external fund managers, investment advisory service costs, operation and support of the Pensions Panel and Board and other governance related costs.

Investment Management Expenses – Expenses incurred in relation to the management of pension fund assets and includes transaction costs, management fees, performance fees and custody fees. Investment management fees are calculated by reference to the market value of portfolio assets under management at the end of each quarter. The exceptions to this are Fidelity, where market value based fees are charged on a daily basis and Private Equity fees, which are based upon amounts committed to each manager.

Net Asset Statement

Investment Valuations and their effects

Investments are shown in the Net Asset Statement at either their market or fair value, which has been determined as follows:

- a) Listed securities are shown by reference to bid-market price at the close of business on 31 March 2019.
- b) Unit trusts are priced as follows:
 - i. Unit trust and managed fund investments are stated at bid price quoted by their respective managers prior to the close of business on 31 March 2019.
 - ii. Single priced funds, closed ended property funds, and fixed interest Open Ended Investment Companies (OEICs) which are valued on a Net Asset Value basis.
- c) Unitised insurance policies are valued at mid-price and are calculated on each business day at noon.
- d) Property unit trusts and other similar property funds valuations are based upon the underlying investments within each portfolio, the majority of which are based upon the latest available valuations (ranging from as at 31 December 2018 to 31 March 2019).
- e) Private Equity valuations are based upon the underlying investments within each portfolio, the majority of which are based upon figures as at 31 December 2018, reflecting the nature of valuing those investments. The cash flows are adjusted up to 31 March 2019 using the same accounting policies. It is less easy to trade private equity than it is for quoted investments. Therefore, when the assets are realised the amount received may not necessarily be the amount that they are valued at and any differences could be significant.
- f) The Diversified Alternative Portfolio is made up of Private Equity, Private Debt, Private Real Estate and Private Infrastructure valued as follows:
 - Private Equity - a market approach is applied (mainly EV/EBITDA multiples) where appropriate, in some cases an alternative method can be applied (e.g. DCF approach). Securities traded on an active market are valued based on their respective market price at the end of the reporting period, adjusted for potential restrictions on the transfer or sale of such securities.
 - Private Debt - Debt instruments for which market quotations are readily available are typically valued based on such quotations, Quotes are validated considering different factors such as depth and nature of the quotation or implied discount rate versus comparable loans (or bonds), Debt instruments for which no market quotations are available are typically valued applying an instrument discounted cash flow approach or a recovery method.
 - Private Real Estate - Real estate valuations are valued considering third party appraisals, which are updated (at least) on an annual basis. Intra-year valuations from these third party appraisals are adjusted for recent developments (e.g. exit of an underlying property, operational cash generation, etc.)
 - Private Infrastructure - Early stage infrastructure investments are usually valued using the replacement cost method. Once construction reaches a certain stage, and as cash flows become more visible, the valuation method is normally switched to a discounted cash flow analysis. For stable and operating infrastructure assets, a market approach (i.e. multiple method) is used.
- g) Multi-Asset Credit - valuations of financial instruments whose principal markets are actively traded exchange markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the program is the price within the bid-ask spread, which is considered most representative of fair value at the end of the reporting period. For Non-traded financial instruments, the program uses a variety of market and income methods.

Property

The Fund owns the freehold of one investment property – New Lydenburg Industrial Estate. The property was revalued as at 31 March 2018 at a value of £2.2m by a Valuer, RICS member and member of the Fund employed by the Royal Borough of Greenwich. The property was valued utilising the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuation was based on the open market value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and characteristics of the particular locality. Any surplus / deficit on valuation is reflected in the Fund Account and is shown as a change in market value of investments. The Fund receives £0.115m rental income per year in respect of this property.

Foreign Currency

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into Sterling at the rate ruling on 31 March 2019.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a three-month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial Instruments

Financial assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument. Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Fair value through profit or loss - assets that are held for trading.

Financial liabilities are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Assets and Liabilities

Except where otherwise stated, the Accounts have been prepared on an accruals basis i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The main exceptions to this are transfers in and out of the Fund, which are accounted for on a cash basis.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net asset statement (note 17).

Additional Voluntary Contributions

The Royal Borough of Greenwich Pension Fund provides two additional voluntary contribution (AVC) schemes for its members, of which one is open to new members. These schemes are separate to the fund with assets, which are invested separately. 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. Note 20 provides details of the Funds AVC schemes.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Asset Statement but are disclosed in a note to the Accounts. The limit for contingent liabilities is reflective of the Funds perception of materiality and is currently set at £250,000.

Other Accounting Policies

Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Accounts. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Note 4 - Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. The following items have a significant risk of material adjustment in the forthcoming financial year:

Private Equity

- The management of LGT uses its judgement to select a variety of methods and makes assumptions that are not always supported by observable market prices or rates. The majority of the Company's investments use either U.S. GAAP or utilise a combination of IFRS and International Private Equity and Venture Capital valuation guidelines to value their underlying investments. The predominant methodology adopted by the general partners for the buyout investments in LGT is a market approach, which takes market multiples using a specified financial measure (e.g. EBITDA), recent public market and private transactions and other available measures for valuing comparable companies.
- Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Wilshire generally use the capital balance reported by the investee fund manager of the limited partnership investment as the primary input to its valuation; however adjustments to the reported capital balance (net asset value) may be made based on various factors, including, but not limited to, the attribute of the interest held, including the rights and obligations and any restrictions or illiquidity on such interests and the fair value of such investment partnership's investment portfolio or other assets and liabilities. The manager generally holds interests in such funds for which there is no active market, although, in some situations a transaction may occur in the 'secondary market' where an investor purchases a limited partner's existing interest and remaining commitment. To the extent these transactions become known to Wilshire, they may be considered as a data point in Wilshire's determination of an investment's fair value.

Pension Fund Liability

It is a statutory requirement that the funding level is calculated every three years by the appointed actuary in order to determine employer contribution rates for the forthcoming three years. However, the methodology used within the accounts is in line with accepted guidelines and in accordance with IAS19.

Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 16. These estimates are subject to significant variances based upon changes to the underlying assumptions.

Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actual 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, salary and pension increase estimates and life expectancy. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions used.	For example: A 0.1% increase in the discount rate would result in a decrease in the pension liability of £36.7m. A 0.1% decrease in assumed earnings would decrease the pension liability by £3.3m and a 1-year increase in assumed life expectancy would increase the Fund liability by £77.6m.

Note 6 - Contributions Receivable

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during 2018/19 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

2017/18 £000	By Category	2018/19 £000
(12,624)	Employee's Contributions	(13,507)
(12,624)	Total Employees' Contributions	(13,507)
	Employer's Contributions:	
(27,296)	Normal Contributions	(29,022)
(6,545)	Deficit Recovery Contributions	(6,859)
(49)	Augmentation Contributions	(145)
(33,890)	Total Employers' Contributions	(36,026)
(46,514)		(49,533)

2017/18 £000	By Authority	2018/19 £000
(37,211)	Administering Authority	(39,426)
(6,346)*	Scheduled Bodies	(7,154)
(2,957)*	Admitted Bodies	(2,953)
(46,514)		(49,533)

* The prior year figures for scheduled and admitted bodies have been re-stated as the figures for scheduled and admitted bodies were under the incorrect heading in the 2017/18 accounts.

Note 7 - Transfers in from Other Pension Funds

2017/18 £000	Transfers in from other Pension Funds	2018/19 £000
(5,975)	Individual Transfers	(2,318)

Note 8 - Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

2017/18	Benefits	2018/19
£000		£000
<u>Pensions</u>		
40,657	Administering Authority	42,451
738	Admitted Bodies	858
671	Scheduled Bodies	759
42,066	Total Pensions Payable	44,068
<u>Lump Sums</u>		
5,567	Administering Authority	7,895
844	Admitted Bodies	409
914	Scheduled Bodies	577
7,325	Total Lump Sums and Commutation	8,881
<u>Death Benefits:</u>		
928	Administering Authority	1,639
3	Admitted Bodies	32
17	Scheduled Bodies	170
948	Total Death Benefits	1,841
50,339	Total Benefits Payable	54,790

Note 9 - Payments to and on Account of Leavers

2017/18 £000	Payments to and on Account Of Leavers	2018/19 £000
175	Refunds to Members leaving Service	172
18	Payments for Members joining State Scheme	4
3,941	Individual Transfers	4,018
4,134	Total Payments to and on Account of Leavers	4,194

Note 10a - Management Expenses

2017/18 £000	Management Expenses	2018/19 £000
861	Administration Expenses	915
121	Oversight and Governance	129
4,789	Investment management Expenses	5,041
5,771	Total Administration Expenses	6,085

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

Note 10b Investment Management Expenses

2017/18 £000	Management Expenses	2018/19 £000
4,148	Management Expenses	4,584
612	Performance Fees	434
16	Custody Fees	16
13	Transaction Costs	7
4,789	Total Management Expenses	5,041

Note 11 - Investment Income

2017/18	Investment Income	2018/19
£000		£000
(115)	Rental Income from Property	(115)
4	Dividends from Equities	(18)
	Dividend from Unit Trusts	
(25)	Income from Pooled Investment Vehicles:	(42)
(5,302)	Property Unit Trusts	(5,359)
(24)	Withholding Tax Reclaimed	(39)
(6)	Interest	(33)
(20)	Other Income	(110)
(5,488)	Total Investment Income	(5,716)

Note 12 - External Audit Costs

2017/18		2018/19
£000		£000
21	Payable in respect of external audit	16
21	Total External Audit Costs	16

Note 13 - Investments

The investment managers and their mandates are as follows:

Manager	Mandate
Blackrock	Passive Global Equity
CBRE Global Investors	Property
Fidelity International	Bond/GMAC/GEME
LGT Capital Partners	Private Equity
State Street Global Markets	Passive Global Equity
Wilshire	Private Equity
Partners Group	Diversified Alternative
Invesco	Multi Asset Strategy

The market value and proportion of investments managed by each fund manager at 31 March 2019 was as follows:

	2017/18	2017/18	2018/19	2018/19
	Market Value	Market Value	Market Value	Market Value
	£000	%	£000	%
Blackrock	537,962	42	583,013	43
CBRE Global Investors	135,235	10	144,717	11
Fidelity	122,697	11	127,640	10
Fidelity GMAC	105,271	8	106,542	8
LGT Capital Partners	2,343	0	2,351	0
Royal Borough of Greenwich	14,747*	1	8,784	1
Wilshire	6,728	1	6,247	0
London CIV	150	0	150	0
Partners Group	105,575	8	114,027	9
Fidelity GEME	121,450	9	117,446	9
Invesco	123,172	10	121,552	9
Total	1,275,330	100	1,332,469	100

*Restated to include State Street Global Markets (£333,000) which was previously separated.

The change in market value of the Fund during the year is represented as follows:

Manager	Market Value 31 March 2018	Purchases	Sales	Change in Market Value Of Investments	Change in Working Capital	Market Value 31 March 2019
	£000	£000	£000	£000	£000	£000
Blackrock	537,962	41	(1,000)	46,011	(1)	583,013
CBRE Global Investors	135,235	7,466	(1,827)	4,161	(318)	144,717
Fidelity AGG	122,697	(136) ^a	0	5,109	(30)	127,640
LGT ^b	2,343	(66) ^a	(394)	468	0	2,351
Royal Borough of Greenwich*	14,747	0	(5)	4	(5,962)	8,784
Wilshire ^b	6,728	0	(1,740)	1,259	0	6,247
Fidelity GMAC	105,271	(295) ^a	0	1,566	0	106,542
London CIV	150	0	0	0	0	150
Partners Group	105,575	0	(2,550)	11,007	(5)	114,027
Fidelity GEME	121,450	(675) ^a	0	(3,334)	5	117,446
Invesco	123,172	0	0	(1,611)	(9)	121,552
Total	1,275,330	6,335	(7,516)	64,641	(6,320)	1,332,469

*Restated to include State Street Global Markets (£333,000) which was previously separated.

The prior year comparator is as follows:

Manager	Market Value 31 March 2017	Purchases	Sales	Change in Market Value Of Investments	Change in Working Capital	Market Value 31 March 2018
	£000	£000	£000	£000	£000	£000
Blackrock	529,404	25	(375)	8,763	145	537,962
CBRE Global Investors	123,082	4,424	(2,927)	6,805	3,851	135,235
Fidelity AGG	120,357	(179) ^a	0	2,365	154	122,697
LGT ^b	5,321	(59) ^a	(3,457)	538	0	2,343
Royal Borough of Greenwich	11,732	0	(38)	340	2,380	14,414
State Street Global Markets	337	0	(7)	3	0	333
Wilshire ^b	9,088	0	(2,613)	253	0	6,728
Fidelity GMAC	104,135	(294) ^a	0	1,500	(70)	105,271
London CIV	150	0	0	0	0	150
Partners Group	102,623	0	(2,194)	5,319	(173)	105,575
Fidelity GEME	105,319	(671) ^a	0	16,977	(175)	121,450
Invesco	122,484	0	0	702	(14)	123,172
Total	1,234,032	3,246	(11,611)	43,565	6,098	1,275,330

a. The negative Fidelity and LGT purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.

b. Distributions have been split into income (dividends, interest and gains) and distributions of capital reducing the book cost.

The change in market value of investments during the year is comprised of new money invested and the realised and unrealised profits or losses for the year:

2017/18	Change Market Value	2018/19
£000		£000
1,234,032	Opening Market Value	1,275,330
(2,267)	Net Revenue Cash in / (out) flow	(7,502)
2,054	Realised profit / (loss)	2,888
41,511	Unrealised profit / (loss)	61,753
1,275,330	Closing Market Value	1,332,469

The value of quoted and unquoted securities is broken down as follows:

2017/18	Change Market Value	2018/19
£000		£000
0	Quoted	0
	Unquoted	
9,070	Private Equity	8,598
1,247,561	Other	1,311,495
18,699	Working Capital	12,376
1,275,330	Total	1,332,469

Included in the total amount classified as “unquoted – other” is £935.0m, relating to investment vehicles where the underlying investments are themselves quoted (£887.7m in 2017/18).

The following table analyses the investment assets between UK and overseas:

2017/18		2018/19
£000		£000
761,895	UK	761,855
494,736	Non UK	558,238
18,699	Working capital	12,376
1,275,330	Total	1,332,469

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	Manager	2018/19 £000	2018/19 %
Aquila Life MGM World EX UK Equity	Blackrock	226,090	17%
Blackrock ISHARES UK Equity	Blackrock	205,339	15%
Aquila Life	Blackrock	145,334	11%
Fidelity UK Aggregate	Fidelity	127,715	10%
Invesco Perpetual Mutual Fund	Invesco	121,751	9%
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	117,615	9%
Fidelity Qualifying Investor	Fidelity	106,612	9%
Partners IC RBG LTD	Partners	114,564	8%

The prior year comparator is as follows:

Investment Assets	Manager	2017/18	2017/18
		£000	%
Aquila Life MGM World EX UK Equity	Blackrock	201,099	16%
Blackrock ISHARES UK Equity	Blackrock	193,866	15%
Aquila Life	Blackrock	135,856	11%
Fidelity UK Aggregate	Fidelity	122,741	10%
Invesco Perpetual Mutual Fund	Invesco	123,362	10%
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	121,625	10%
Fidelity Qualifying Investor	Fidelity	105,270	8%
Partners IC RBG LTD	Partners	106,108	8%

Stock Lending / Derivatives

The Fund has a policy of not entering into stock lending arrangements - there were no stock lending arrangements in place during 2018/19 or 2017/18. The following investment products are classed as derivatives and may be used by the Fund managers (none held on 31 March 2019):

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non-UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

Property Holdings

The Fund has a directly owned property, which is leased commercially to various tenants. Details of this are as follows:

2017/18		2018/19
£000		£000
1,850	Opening balance	2,200
350	Net increase in market value	0
2,200	Closing balance	2,200

2017/18		2018/19
£000		£000
115	Within one year	115
460	Between one and five years	460
575	Total future lease payments due under existing contracts	575

2017/18 £000	Gains and Losses	2018/19 £000
	<u>Financial Assets</u>	
43,215	Fair Value Through Profit and Loss	64,642
6	Loans and Receivables	33
	<u>Financial Liabilities</u>	
0	Fair Value Through Profit and Loss	0
43,221	Total	64,675

Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has 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. Products classified as Level 1 comprise quoted equities, quoted fixed securities and unit trusts.

Level 2 – Where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market 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. Included in this level are the Fund's private equity investments, the valuations of which are provided by the private equity managers. A breakdown of the opening market value to closing market value for Private Equity investments can be found in Note 13. This shows Private Equity movements in year for Wilshire and LGT.

Reconciliation of Fair Value Measurement within Level 3

Transfers between level 2 and 3 due to reappraisal of property valuation techniques.

<u>Asset</u>	<u>Market Value at 31/03/2018</u>	<u>Transfer into Level 3</u>	<u>Transfer out of Level 3</u>	<u>Purchases at cost</u>	<u>Sales</u>	<u>Unrealised Gain/(Loss)</u>	<u>Realised Gains/(Loss)</u>	<u>Market Value At 31/03/2019</u>
	£000	£000	£000	£000	£000	£000	£000	£000
UT - Property UK	48,194	52,365	(7,155)	6,056	0	(5,602)	(1,825)	92,033
Freehold Property	2,200	0	0	0	0	0	0	2,200
Diversified Alternative	106,108	0	0	0	(2,550)	11,007	0	114,564
Private Equity	9,070	0	0	(66)	(1,075)	1,728	(1,059)	8,598
Total	165,572	52,365	(7,155)	5,990	(3,625)	7,133	(2,884)	217,395

The prior year comparator is as follows:

Asset	Market Value at 31/03/2017	Transfer into Level 3	Transfer out of Level 3	Purchases at cost	Sales	Unrealised Gain/(Loss)	Realised Gains/(Loss)	Market Value At 31/03/2018
	£000	£000	£000	£000	£000	£000	£000	£000
UT - Property UK	61,593	6,952	(15,605)	0	(2,345)	(2,401)	0	48,194
Freehold Property	1,850	0	0	0	0	350	0	2,200
Diversified Alternative	102,983	0	0	0	(2,194)	5,319	0	106,108
Private Equity	14,408	0	0	(59)	(4,432)	791	(1,638)	9,070
Total	180,834	6,952	(15,605)	(59)	(8,971)	4,059	(1,638)	165,572

Sensitivity of assets value at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that valuation methods described above are likely to be accurate to within the following ranges, and set out below the consequent potential impact on the closing value of investment as at 31 March 2019.

Asset	Value as at 31 March 2019	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UT - Property UK	92,033	2.2	94,097	89,969
Freehold Property	2,200	2.2	2,249	2,151
Private Equity	8,598	0.9	8,679	8,518
Diversified Alternative	114,564	3.3	118,338	110,791
Total Assets available to Pay Benefits	217,395		223,363	211,429

The prior year comparator is as follows:

Asset	Value as at 31 March 2018	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UT - Property UK	48,194	2.1	49,206	47,182
Freehold Property	2,200	2.1	2,246	2,154
Private Equity	9,070	2.5	9,297	8,843
Diversified Alternative	106,108	2.5	108,761	103,455
Total Assets available to Pay Benefits	165,572		169,510	161,634

The following table provides an analysis of the Financial Assets and Liabilities of the Fund and are grouped, based upon the level at which the fair value is observable.

Values as at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Financial Assets</u>				
Financial Assets at Fair Value through profit and loss	0	1,102,697	215,195	1,317,892
Non-Financial assets at Fair Value through profit and loss	0		2,200	2,200
	0	1,102,697	217,395	1,320,092

The prior year comparator is as follows:

Values as at 31 March 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Financial Assets</u>				
Financial Assets at Fair Value through profit and loss	0	1,091,060	163,372	1,254,432
Non-Financial assets at Fair Value through profit and loss	0	0	2,200	2,200
	0	1,091,060	165,572	1,256,632

Note 15 - Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Investment and Administration Panel. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and market conditions.

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 risk. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in

terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

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

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

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk – Sensitivity Analysis

Having analysed historical data and expected investment return movement during the financial year, and consultation with the Fund's performance management advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the reporting period.

Asset	Potential Market Movements (+/-)
UK Equities	9.20%
Overseas Equities	9.20%
Bonds	3.70%
Property	2.20%
Cash	0.50%
Private Equity	0.90%
Diversified Alternative	0.90%
Multi Asset	3.30%

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments moved in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset	Value as at 31 March 2019 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	19,801	0.50	19,900	19,702
UK Equities	205,339	9.20	224,213	186,464
Overseas Equities	489,039	9.20	533,992	444,086
Bonds	234,327	3.70	243,052	225,603
Property	140,065	2.20	143,206	136,924
Private Equity	8,598	0.90	8,679	8,518
Diversified Alternative	114,564	0.90	115,636	113,493
Multi Asset	121,751	3.30	125,761	117,741
Other Investment Balances	(828)	0	(828)	(828)
Total Assets available to Pay Benefits	1,332,656		1,413,611	1,251,703

The prior year comparator is as follows:

Asset	Value as at 31 March 2018 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	27,166	0.21	27,223	27,109
UK Equities	193,866	7.17	207,766	179,966
Overseas Equities	458,580	10.77	507,969	409,191
Bonds	228,012	3.93	236,973	219,051
Property	130,265	2.10	133,001	127,530
Private Equity	9,070	2.50	9,297	8,844
Diversified Alternative	106,108	2.50	108,760	103,455
Multi Asset	123,362	6.22	131,036	115,689
Other Investment Balances	(704)	0	(704)	(704)
Total Assets available to Pay Benefits	1,275,725		1,361,321	1,190,131

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 is through its cash and fixed interest security holdings.

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. It is currently felt that interest rates are unlikely to move up or down by more than 25 basis points (bps) over the course of the next year. The analysis that follows assumes that all

other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 25 bps change in interest rates.

Asset	Carrying Amount as at 31 March 2019 £000	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
		£000	£000
Cash Balances	6,236	6,251	6,220
Cash on Deposit	118	118	117
Cash Equivalents	7,189	7,207	7,171
Blackrock Institutional Series	6,259	6,275	6,244
Total Interest Rate Risk Assets	19,802	19,851	19,752

Asset	Carrying Amount as at 31 March 2019 £000	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
		£000	£000
Fidelity GMAC	106,612	105,738	107,465
Fidelity UK Aggregate Bond Fund	127,715	124,701	130,908
Total Interest Rate Risk Assets	234,327	230,439	238,373

The prior year comparator is as follows:

Asset	Carrying Amount as at 31 March 2018 £000	Change in Year in the Net Assets available to Pay Benefits	
		+ 50 bps	-50 bps
		£000	£000
Cash Balances	12,355	12,417	12,293
Cash on Deposit	367	369	365
Cash Equivalents	7,226	7,263	7,190
Blackrock Institutional Series	7,218	7,254	7,182
Total Interest Rate Risk Assets	27,166	27,303	27,030

Asset	Carrying Amount as at 31 March 2018	Change in Year in the Net Assets available to Pay Benefits	
		+ 50 bps	-50 bps
	£000	£000	£000
Fidelity GMAC	105,270	104,134	106,492
Fidelity UK Aggregate Bond Fund	122,741	116,825	129,259
Total Interest Rate Risk Assets	228,011	220,959	235,751

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

Currency Risk – Sensitivity Analysis

Following consultation with the Fund's performance management advisors, the following table shows the potential impact of foreign exchange rate movements on the overseas holdings within the Fund (the analysis assumes that all other variables, in particular interest rates, remain constant):

Asset	Asset Value as at 31 March 2019	Potential Change in Foreign Exchange Rate	Value on	Value on
			Increase	Decrease
	£000	%	£000	£000
Private Equity	8,598	8.30	9,315	7,882
Overseas Unitised Insurance Policies	432,024	8.20	467,314	396,733
Overseas Unit Trust Other	117,615	8.80	127,933	107,298
Cash held in Foreign Currencies	4	8.60	5	4
Total Currency Risk Assets	558,241		604,567	511,917

The prior year comparator is as follows:

Asset	Asset Value as at 31 March 2018	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	9,070	8.83	9,871	8,269
Overseas Unitised Insurance Policies	364,042	10.25	401,354	326,730
Overseas Unit Trust Other	121,625	16.55	141,755	101,494
Cash held in Foreign Currencies	18	9.10	19	16
Total Currency Risk Assets	494,755		552,999	436,509

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions held in year where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The Fund has a private equity portfolio where there is a higher credit risk. At the reporting date 0.65% of the Fund was in private equity thereby capping exposure to this asset class. Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. The Fund's cash holding under its treasury management arrangements at 31 March 2019 was £6.2m (£12.4m at 31 March 2018). This was held as follows:

Counterparty Type	31 March 2018	31 March 2019
	£000	£000
UK Banks	12,355	6,236

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The cash position of the Fund is monitored to ensure that the Fund has adequate cash resources to meet its commitments. The Fund has immediate access to monies held in its current account. Monies on deposit are also highly liquid and are available to the Fund if needed. If the Fund found itself in a position where it did not have the monies to meet its immediate commitments, it is able to borrow for up to 90 days. If there was a longer term shortfall, then investments could be sold to provide additional cash. Financial liabilities of £1.860m are all due to be settled within 12 months of the net asset statement date.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Note 16 – Funding Arrangements

In accordance with The Local Government Pension Scheme Regulations 2013, the adequacy of the Fund’s investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Fund. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the Fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be re-valued every three years, the actuarial valuation applicable for 2018/19 was carried out as at 31 March 2016 (effective from 1 April 2017).

The method of calculating the employer’s contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the ‘Projected Unit Method’. It is a method considered appropriate by the Actuary for a fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

The market value of the Fund at the 2016 review date was £1,052m (£885m in 2013) and results showed that assets represented 91% of the liabilities (86% in 2013). The Fund deficit arising from the valuation was £105m as at 31 March 2016 (£141m as at 31 March 2013), which is to be spread and recovered over a 20-year period. The reconciliation of the primary contribution rate is as shown below:

Contribution Rate Analysis	Mar-16
	%
Future Service Total	14.6
Deficit Contribution	3.9
Total Employer Contribution Rate	18.5

The triennial valuation determines the contribution rate for each employer in the Fund using statistical information specific to each employer. The agreed contribution rates in accordance with the results of the actuarial valuation are as follows:

Year	Royal Borough of Greenwich	Other Bodies
2016/17	18.50%	16.0% - 18.5%
2017/18	18.50%	12.0% - 18.5%
2018/19	18.50%	12.0% - 18.5%

Details of each employer's individual rates are detailed in the Rates and Adjustment Certificate, which can be found in the triennial valuation report. New employers admitted after 31 March 2016 have been actuarially assessed to determine their individual employer contribution rates.

The actuarial valuation using the 'Projected Unit Method' is based on economic assumptions. Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the inter-valuation period are summarised as follows:

Future Assumed Returns as at March 2016	Assumed Returns % p.a.	Real Return (Relative to CPI) % p.a.
Investment Return		
Equities	7.4	5
Gilts	2.4	0
Bonds	3.3	0.9
Property	5.9	3.5

Financial Assumptions	2016 % p.a.	2013 % p.a.
Discount Rate	5.5	6
Short Term Pay Increases	2.4	2
Long Term Pay Increases	3.9	4.2
Retail Price Inflation (RPI)	3.3	3.5
Consumer Price Inflation (CPI)	2.4	2.7
Pension Increases	2.4	2.7

The assumed life expectations from age 65 are as follows:

Demographic assumptions - Life expectancy from age 65	31-Mar 2018	31-Mar 2019
<u>Retiring Today</u>		
Males	22.6	21.6
Females	24.7	23.6
<u>Retiring in 20 years</u>		
Males	24.8	23.3
Females	27	25.4

The actuary has also assumed that:

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

Note 17 - Actuarial Present Value of Promised Retirement Benefits (IAS 19 basis)

To assess the value of the Fund's liabilities at 31 March 2019, the values calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions that comply with IAS19. The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is:

Net Present Value	31-Mar 2018 £000	31-Mar 2019 £000
<u>Present Value of Funded Obligation</u>		
Vested Obligation	(1,962,234)	(2,018,582)
Non-Vested Obligation	(59,217)	(55,372)

Total Present Value of Funded Obligation	(2,021,451)	(2,073,954)
Fair Value of Scheme Assets	1,275,735	1,332,469
Net Liability	(745,716)	(741,485)

The financial assumptions used to assess the total net liability as at 31 March 2019 are:

Financial Assumptions	Mar-19	
	% p.a.	Real % p.a.
Discount Rate	2.4	0
Pay Increases	3.9	1.5
Pension Increases	2.4	N/A

Note 18 - Debtors and Creditors

The following material amounts were due to, or payable from, the Fund as at 31 March 2019:

2017/18 £000	Debtors	2018/19 £000
	<u>Investment Debtors</u>	
147	Tax Refunds Due	130
96	Dividends Due	32
243	Total Investment Debtors	162
	<u>Member Debtors</u>	
347	Contributions	413
220	Other	119
567	Total Member Debtors	532
810	Total Debtors	694
	<u>Analysed By</u>	
807	Other Entities and Individuals	694
3	Central Government Bodies	0
810	Total Debtors	694

2017/18 £000	Creditors	2018/19 £000
	<u>Investment Creditors</u>	
(1,081)	Management Fees	(1,127)
0	Purchase of Investments	0
(5)	Custody Fees	(3)
(11)	Other	(10)
(1,097)	Total Investment Creditors	(1,140)
	<u>Member Creditors</u>	
(193)	Benefits Unpaid	(174)
(769)	Other	(546)
(962)	Total Member Creditors	(720)
(2,059)	Total Creditors	(1,860)
	<u>Analysed By</u>	
(465)*	Central Government Bodies	(477)
0	Local Authorities	0
(1,594)*	Other entities and individuals	(1,383)
(2,059)	Total Creditors	(1,860)

*Restated to include £21,000 due to HMRC within 'Central Government Bodies' previously included within 'Other entities and individuals'

Note 19 – Cash and Cash Equivalents

The cash balance can be further analysed as follows:

Cash	2017/18 £000	2018/19 £000
Royal Borough of Greenwich Pension Fund	12,355	6,236
CBRE Cash at Hand	170	96
State Street Global Markets	192	17
Others	5	5
Total Cash	12,722	6,354

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Cash Equivalents	2017/18 £000	2018/19 £000
Royal Borough of Greenwich Pension Fund	235	376
Blackrock	4	4
CBRE	6,987	6,809
Total Cash	7,226	7,189

Note 20 - Additional Voluntary Contributions

Contributing members have the right to make Additional Voluntary Contributions (AVCs) to enhance their pension. The Authority made such a scheme available to staff through Equitable Life. During 2000/01, Equitable Life announced itself closed to new business. On 23 December 2010, the Government passed an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Since then, employees have had the option to pay current contributions into a Clerical Medical Fund. In accordance with section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, AVCs are prohibited from being credited to the Local Government Pension Scheme and are thus not consolidated within the Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, at 31 March 2019, are shown below:

2017/18 £000	AVC Contributions	2018/19 £000
80	AVC Contributions to Clerical Medical	54
0	AVC Contributions to Equitable Life	0
80	Total Contributions	54

31 March 2018 £000	AVC Market Values	31 March 2019 £000
837	Clerical Medical Market Value	892
366	Equitable Life Market Value	359
1,203	Total Market Value	1,251

Note 21a - Related Party Transactions

The UK Government exerts a significant influence over the Fund through enacting the various Regulations (mentioned herein). It is a major source of funding for the Royal Borough of Greenwich (the Administering Authority and largest employer within the Fund). During the year, no trustees or Key Management Personnel of the Authority with direct responsibility for pension fund issues have undertaken any material transactions with the Pension Fund, other than the following:

- a) Administrative services were undertaken by the Authority on behalf of the Fund, under the service level agreement, valued at £0.904m in 2018/19 (2017/18: £0.851m).
- b) The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £28.725m to the Fund in 2018/19 (2017/18: £27.233m).
- c) With respect to other Scheduled Bodies, an amount of £0.127m was owed to the Fund by Academies at year-end for contributions due.
- d) The Royal Borough of Greenwich Pension Fund is a Member of the London Councils Collective investment vehicle. Councillor Brooks was the Fund's representative on the Board, along with Councillor Babatola as deputy. In 2018/19, an administration fee of £0.123m was paid to this organisation.

Note 21b - Key Management Personnel

Key Management Personnel Remuneration

The Key Management personnel of the Fund are the Assistant Director of Corporate Finance & Deputy s151 Officer, the Chair of the Pension Fund Investment and Administration Panel and the Pension Investment Manager. The total remuneration payable to key management personnel is set out below:

2017/18		2018/19
£000		£000
86	Short-term benefits	80
51	Post-employment benefits	36
137		116

Note 22 - Commitments

The Fund has commitments in relation to its private equity holdings. These commitments are drawn down in tranches over time, as and when the private equity managers request them. As at 31 March 2019, the Fund had £1.892m of private equity commitments outstanding (31 March 2018: £1.952m). These are not required to be included in the Accounts.

