ROYAL BOROUGH OF GREENWICH

PENSION FUND

Annual report - 2019/20

ROYAL borough of GREENWICH

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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 31st March 2020.

2019-20 has been a totally unprecedented year, with the COVID-19 worldwide Pandemic.

The World Health Organisation declared COVID-19, as a "Global Pandemic" on the 11th March 2020. We then saw many countries implement lockdown and travel restrictions worldwide. The economic turmoil associated with the COVID-19 pandemic has had a wide-ranging impact on financial markets, which has been reflected in the fund performance.

Over the first three quarters, the fund had seen a strong return from financial markets, however, as the COVID-19 spread across the globe, financial markets became uncertain, which led to market sell-off, at the end of quarter four.

During the year, the value of the Fund decreased by 7%, to £1.24bn from £1.33bn. The Panel will continue to monitor the fund in light of the impact COVID-19 has had on performance and will challenge investment advisers and fund managers to ensure the fund's Investments are being managed effectively.

This year has also seen the triennial actuarial valuation results, with the fund having sufficient assets to cover 97% of the accrued liabilities as at 31 March 2019, an increase from 91% as at March 2016. The Fund has also managed to keep the average employer's contribution stable over the last few valuations.

The Fund has always held a long-term view when it comes to investment strategy. During the year we asked our investment adviser to review current strategy, in light of the improvement in funding level. The aim is to reshape the portfolio, to meet the challenges going forward and more importantly on responsible investment. This will include seeking out new opportunities in renewable energy funds, as we reduce our expose to fossil fuels.

Investment pooling continues to be an important area of work for the fund, with both the Panel and Officers having regular meetings with the London Collective Investment Vehicle to discuss a road map for the transition of assets to ensure that cost savings 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 for their work in what has been, and will continue to be, challenging times.

Councillor Peter Brooks
The Chair of Pension Investment & Administration Panel

Message from the Chair of the Pension Board

Welcome to the annual message of the Local Pension Board. 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.

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.

I'm glad to report that this limitation has not had any major impact on our continuing work over the past year and that meetings will now continue to be held remotely in line with the usual governance arrangements for the Fund.

In the fifth year of Board operation, we remain 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.

During 2019/20 the Board has enjoyed stable membership during the period with two employers' and two scheme member representatives. We have maintained a good working relationship with the Pension Investment and Administration Panel, officers and professional advisors and look forward to continuing to work together.

During the year, the Board reviewed a number of key documents in support of the administration of the Fund, this included the risk register. The board will make sure that this becomes a standing item in every board meeting going forward due to the on-going impact of Covid-19 and the growing complexity of LGPS.

The Board will continue with the training plan to cover the individual requirement of each member based on guidance issued by CIPFA, using the suggested framework to ensure coverage of all items over the year.

The Board is satisfied that the Royal Borough of Greenwich Pension Fund is operated in compliance with statutory regulations and other legislation, and with guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG).

The requirements imposed by the Pensions Regulator are being met and the Board is monitoring the effectiveness and efficiency of the governance and administrations arrangements, but also recognise the need to keep abreast of new developments and ensure that the Fund is able to respond.

I also want to thank my fellow Board members for their commitment to their roles.

Councillor Norman Adams
Chair – Pension Board

Message from the Director of Finance

The Council is the Administering authority for the Royal Borough of Greenwich Pension Fund. As such the, Council has a duty to ensure that the Fund is effectively managed and ensure that all contributions and investments are collected and invested in accordance with the fund Investment Strategy Statement.

This has been an unprecedented year with COVID-19 affecting all of us . Both the fund performance and administration of the fund have felt this impact. Whilst the fund return of -7% is not welcome, the FTSE 100 index over the same period witnessed -22% return. This demonstrates the robust approach the fund has taken in diversifying its investment across the different asset classes.

It is also important to remember that the Pension Fund is an open scheme with a strong covenant and can take a long-term outlook. Therefore, the Fund has avoided any knee jerk changes to long term funding strategies in light of COVID-19, as the market reaction is due to short term uncertainty. This was the case in the "credit crunch" in 2008, with asset markets recouping losses over the long term.

The other area Covid-19 has affected is the way our staff work. In line with government guidelines, we have enabled our pension team to work from home. The team have kept in touch regularly through video conferencing facilities and have been able to maintain contact with pension members, through emails and the helpline number redirecting to staff at home. The team has shown professionalism and diligence in the face of this challenging situation.

COVID-19 is currently highlighted on the Funds risk register and will continue to be monitored.

The Fund has also faced challenges in other areas, most noticeable is the ongoing uncertainty around McCloud/Sargeant age discrimination ruling affecting members in public sector pension schemes. In June 2019, it was announced that the Government had lost a case to appeal against the Court of Appeal ruling and the outcome of the case would apply to all public service schemes. While we wait for these remedies, there continues to be an element of uncertainty on the value of liabilities.

The Government also paused the cost control mechanism in the public service pension scheme, due to uncertainty about benefit entitlements arising from the McCloud Judgement.

2019/20 also saw several consultations, ranging from proposed changes to RPI to ongoing work on "good governance". The latter project will consider how the best practice arrangements that work well in many funds can become the standard practice throughout the Local Government Pension Scheme (LGPS). The fund is expecting to see draft guidance in the coming months which will set out governance key performance indicators and an independent governance review process for LGPS going forward.

2020/21 will continue to be challenging 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

Independent auditor's report to the members of Royal Borough of Greenwich on the consistency of the pension fund financial statements of Royal Borough of Greenwich included in the Pension Fund Annual Report

Opinion

The pension fund financial statements of Royal Borough of Greenwich Pension Fund (the 'pension fund') administered by Royal Borough of Greenwich (the "Authority") for the year ended 31 March 2020 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 2020 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 2019/20 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 26 November 2020.

That report also includes an emphasis of matter -effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As, disclosed in note 5 to the financial statements, the ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund private equity, property and infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy. As stated in our report dated 26 November, our opinion is not modified in respect of this matter.

Section 151 Officer's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Section 151 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 2019/20.

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

Key Audit Partner for and on behalf of Grant Thornton UK LLP, Local Auditor

London
26 November 2020

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 2019 and showed that the fund was 97% funded. 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. Members funds held in accounts with our previous AVC provider (Equitable Life) were transferred to Utmost Life and Pensions during 2019/20.

Management and Financial Performance

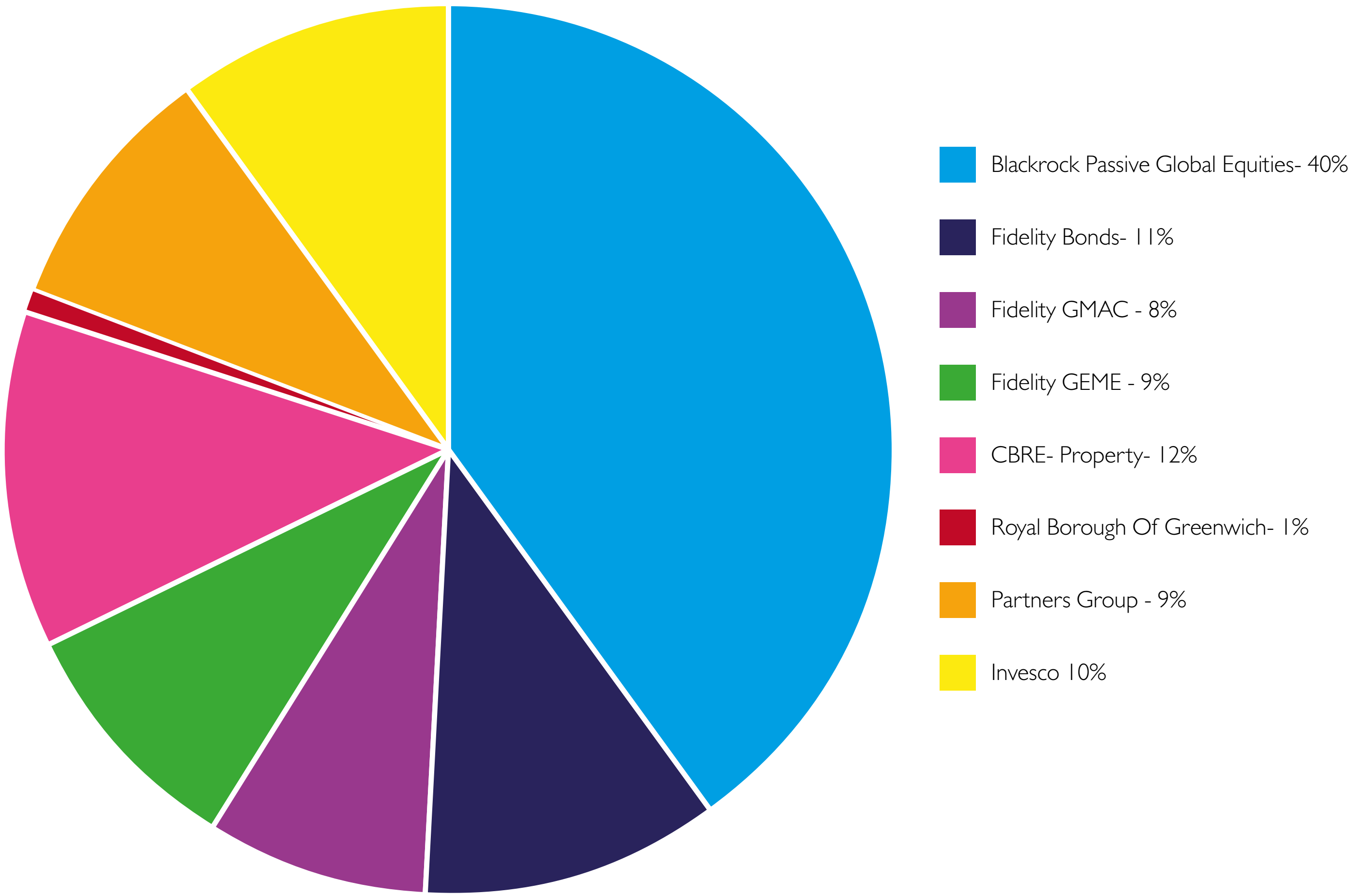
ROYAL BOROUGH OF GREENWICH
PENSION FUND

The pension fund at a glance

As at 31 March 2020, the Royal Borough of Greenwich Pension Fund comprised:

- 50 active employers
- Net assets valued at £1.238bn
- 25,778 members of which 8,865 were actively contributing into the fund, 7,341 were drawing benefits from the fund and the remainder had rights to deferred benefits.

Breakdown of Scheme assets by manager as at 31 March 2020



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 Member

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

Cllr Olu Babatola

Cllr Patricia Greenwell

Cllr Christine May

Panel Observers

Unite

GMB

Unison

Board Member

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
4 Cannon Street, London, EC4M 5AB

CBRE Global Investment Partners LTD
3rd Floor, One New Change, London, EC4M 9AF

LGT Capital Partners
1 St James's Market, London, SW1Y 4AH

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
25 Gresham Street, London, EC2V 7HN

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

Utmost Life and Pensions
Walton Street, Aylesbury, Bucks, HP21 7QW

Custodian

State Street Global Services (to Sept 19)
20 Churchill Place, Canary Wharf, London, E14 5HJ

Nothern Trust (from Oct 19)
50 Bank Street, London, E14 5NT

External Auditor

Grant Thornton UK LLP
110 Bishopsgate London EC2N 4AY

Bankers to the fund 2019/20:
Natwest 135 Bishopsgate, London EC2M 3UR
Asset Pool Operator
London CIV 4th Floor, 22 Lavington Street, London, SE1 0NZ

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 B Scoring Matrix) 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 (and other) 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 A.

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.

Officers analyse and reconcile 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 19/20 as part of internal audit testing of the fund.

INTERNAL AUDIT TESTING

Operational Risk Area	CIPFA prescribed frequency	Testing conducted 19/20	Level of control assurance
Benefit payments and lump sums	Annual testing	Yes	Moderate
Employee contributions	Annual testing	Yes	Moderate
Employer contributions	Annual testing	Yes	Moderate
Membership records	Annual testing	Yes	Moderate
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	EY
Northen Trust	SOC I	Reasonable Assurance	KPMG

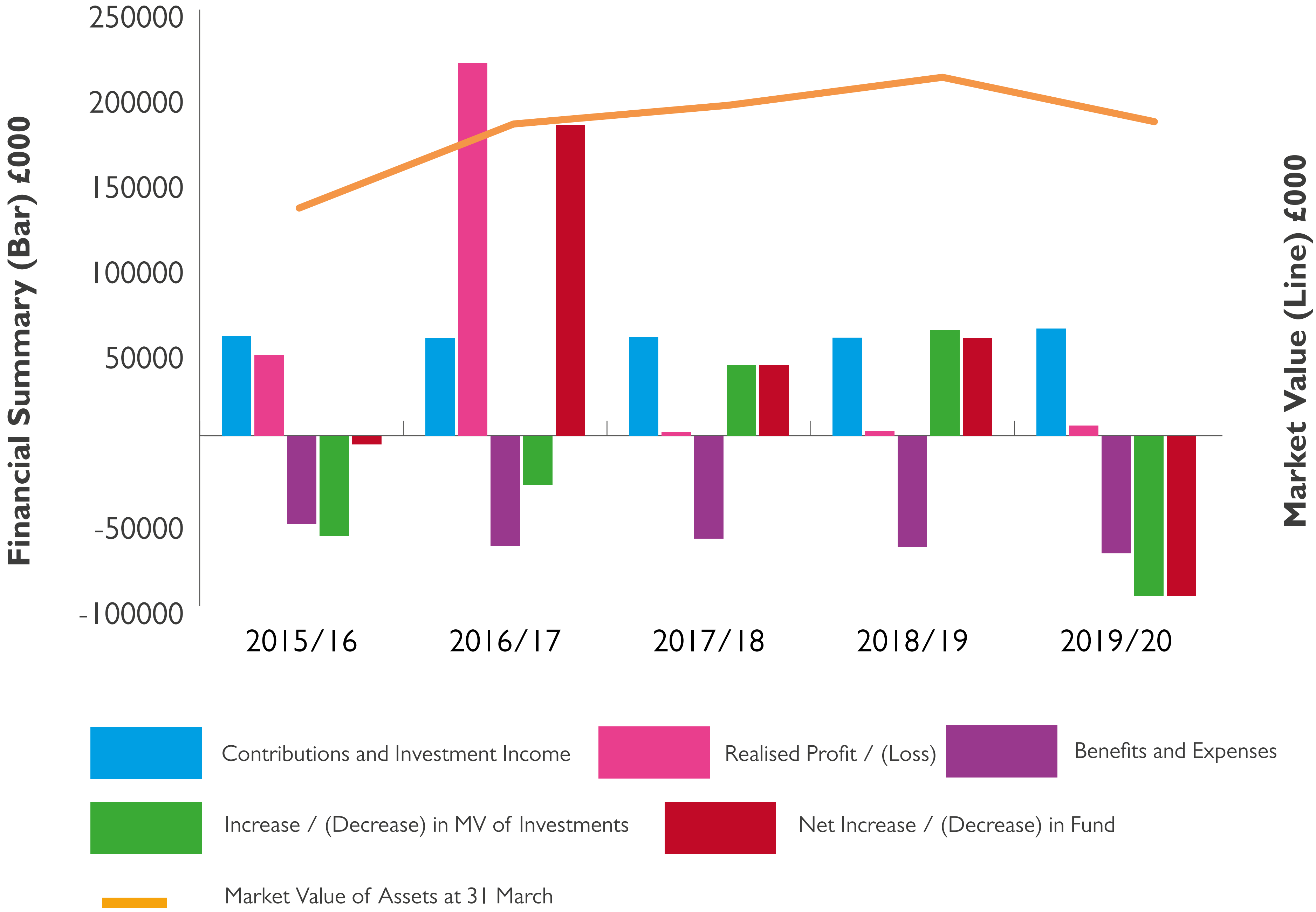
The fund has been advised by Wilshire Private Markets, that their internal control structure does not receive an assurance report however; their controls environment are reviewed as part of their annual financial audit process.

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 2018/19, resulting in an increase in market value of £57.1m, however the fund then decreased by £94.1m in 2019/20 mainly due to Covid-19. Comparisons between the year on year change in market value of the fund and the FTSE 100 index were made. The change in market value between 2018/19 and 2019/20 decreased by 7.1%. 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	15/16	16/17	17/18	18/19	19/20
	£000	£000	£000	£000	£000
Contributions and Investment Income	58, 331	57,016	57,977	57,567	62,903
Realised Profit / (Loss)	47,389	281,811	2,054	2,888	5,939
Benefits and Expenses	(51,903)	(64,620)	(60,244)	(65,069)	(69,000)
Net Annual Surplus / (Deficit)	53,817	211,207	213	(4,614)	(158)
Increase / (Decrease) in MV of Investments	(58,890)	(28,804)	41,511	61,753	(93,900)
Net Increase / (Decrease) in Fund	(5,073)	182,403	41,298	57,139	(94,058)
Market Value of Assets at 31 March	**1,051,629**	**1,234,032**	**1,275,330**	**1,332,469**	**1,238,411**
Change in Greenwich Fund Market Value	(0.5%)	17.3%	3.3%	4.5%	(7.1%)
Change in FTSE 100	2.7%	18.6%	(3.8%)	2.5%	(22.0%)


250000
200000
150000
100000
50000
-50000
-100000
Financial Summary (Bar) £000
Market Value (Line) £000
2015/16
2016/17
2017/18
2018/19
2019/20
Contributions and Investment Income
Realised Profit / (Loss)
Benefits and Expenses
Increase / (Decrease) in MV of Investments
Net Increase / (Decrease) in Fund
Market Value of Assets at 31 March

Budgeted Fund Account

The Fund cash flow estimate for 2020/21 summarises a number of trends. namely, increasing pension payments to members with regards to new pensioners.

Income and Expenditure was relatively in line with the forecast.

Increase from 2018/19 actuals and 2019/20 actuals was expected due to Inflation, Increased contributions and pay Increases.

Budgeted Fund Account- Fund Cashflow	**2018/19 Actual**	**2019/20 Budgeted**	**2019/20 Actual**	**2020/21 Budgeted**
	£m	£m	£m	£m
Pension(or annuities): retired employees and dependents	**(44)**	(43)	**(46)**	**(48)**
Lump sums on retirement (including deferred)	**(9)**	(8)	**(10)**	**(10)**
Lump sums on death	**(2)**	(1)	**(1)**	**(2)**
Administration and fund management costs of the Fund	**(1)**	(1)	**(1)**	**(1)**
Transfer values including apportionments	**(4)**	(2)	**(4)**	**(4)**
Total expenditure	**(60)**	**(55)**	**(62)**	**(65)**
Contributions (including those from other employing authorities): employees	14	13	14	15
Contributions (including those from other employing authorities): employers	36	34	38	39
Investment income	6	8	8	9
Transfer values including apportionments	2	3	3	3
Total income	**58**	**58**	**63**	**66**
Net inflow/ (outflow)	**(2)**	**3**	**1**	**1**

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
632	27	4.27%

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

Classification	Administering	Admitted	Scheduled	Total
	£000	£000	£000	£000
Employers	30,233	1,937	5,559	37,730
Employees	11,155	916	1,924	13,995
Total	**41,388**	**2,853**	**7,483**	**51,725**

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 2019/20.

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

Contribution level	
Pensionable Pay	**£206,579,947**
Employee Contributions	**£13,994,812**
Percentage	**6.77%**

Overpayments

In 2019/20, we raised 7 invoices for overpayments of pension totalling £5,064.77 of which £0.00 recovered; All of these were due to late notification of death. In 2019/20, we wrote off one invoice for £146.18 for overpayment of salary, which is from a previous year. There are seven invoices from previous years in relation to overpayments, which are outstanding – these total £6,395.60.

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Investment management expenses have increased in 2019/20 compared to the previous financial year, this was largely due to the costs associated with investment manager performance.

Administrative costs increased again in 2019/20 when compared against the previous year. This was due to one unbudgeted project, and a contract renewal which were funded during the year.

Administration and Investment Management Costs	2018/19 Actual £000	2019/20 Actual £000	2020/21 Forecast £000
Administration			
- Central costs	904	1,149	1,264
- Other	11	10	12
Total Administration	**915**	**1,133**	**1,276**
Total Oversight & Governance	**129**	**216**	**150**
Total Investment Management	**5,041**	**6,427**	**5,398**
Total Costs Charged to the Fund	**6,085**	**7,776**	**6,824**

The pension service comprises 11.6 members of staff covering both the employing and administration duties. This equates to 2,222 members of the fund to each full time equivalent post compared to 2,007 in 2018/19.

Membership Summary

The table and graph alongside show a summary of membership numbers over the last five years. The number of active members has increased by 1% over the last 5 years overall, with pensioners also increasing by 17% and deferred members increasing by 49% over the same period.

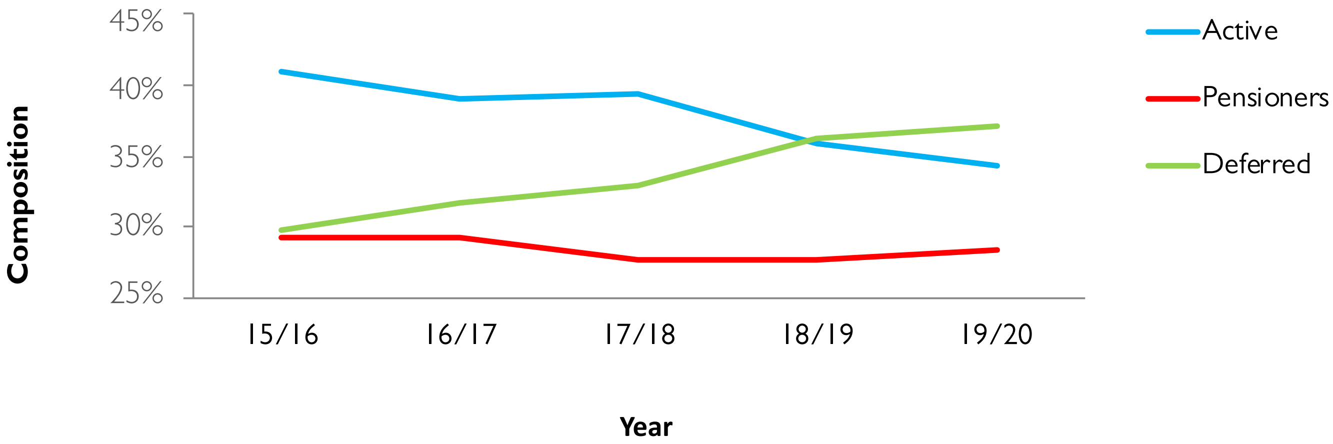
Membership	2015/16	2016/17	2017/18	2018/19	2019/20	Movement over 5 Yrs
Active	8,813	8,828	9,663	9,087	8,865	1%
Pensioners	6,288	6,641	6,822	7,024	7,341	17%
Deferred*	6,410	7,198	8,064	9,173	9,572	49%
Total	**21,511**	**22,667**	**24,549**	**25,284**	**25,778**	**20%**

*2015/16 - 2019/20 figures include leavers who had not taken a decision on their retirement benefit options

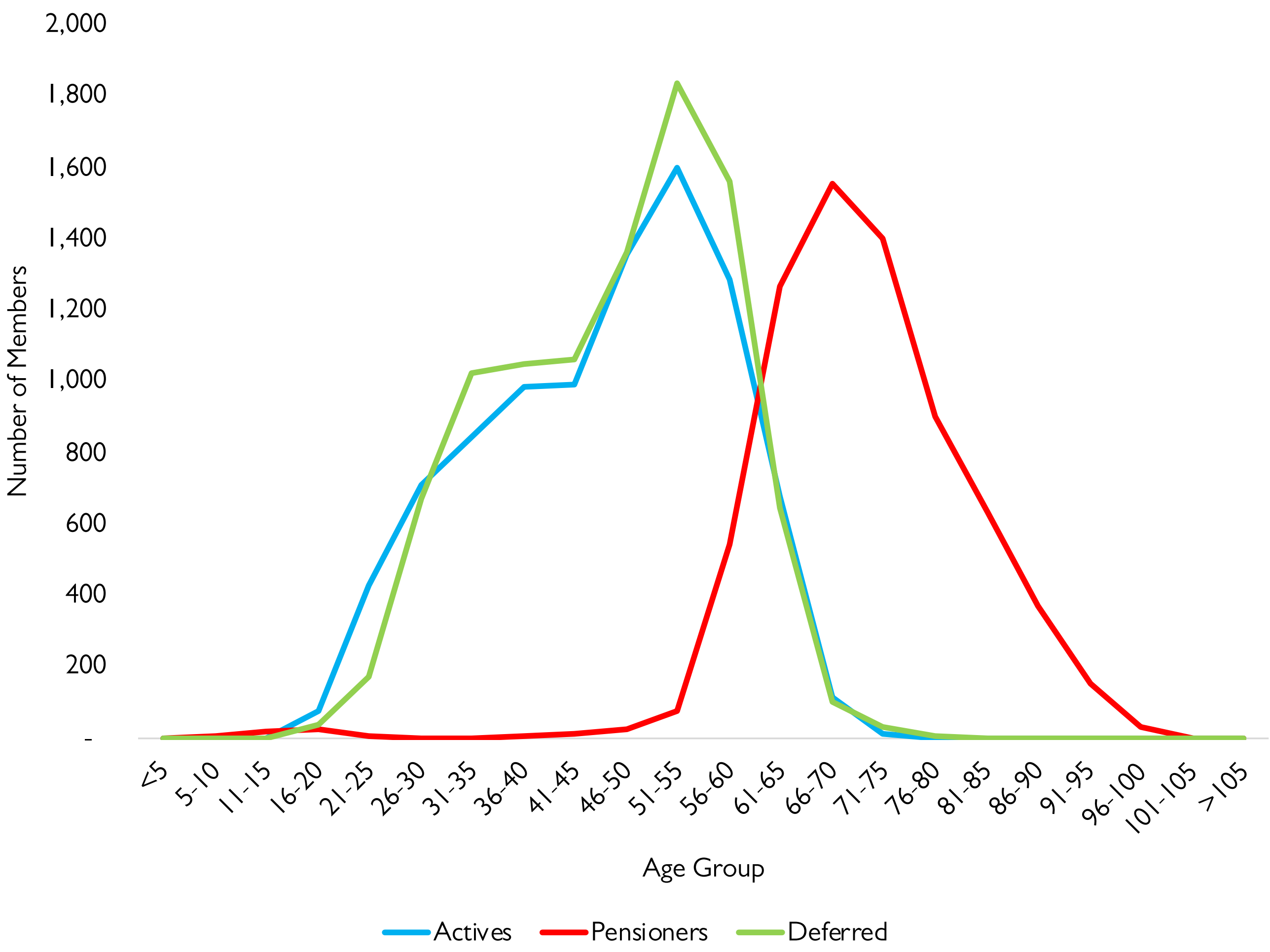
Change in Composition of Membership Numbers over 5 Years:

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 41% in 2015/16 to 36% in 2018/19 and then a further drop to 34% in 2019/20. Deferred members Increased by 1% to 37% from the previous year's 36%, whilst the proportion of pensioners remains at 28%.

The average age of an active pension fund member is 47. The average for pensioner members is 71, with the oldest being 105. 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 (80%). For 2019/20, with, 52 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	**£30,233,133**	**£11,155,218**

Scheduled			Admitted		
	Contribution Values			Contribution Values	
	Employers	Employees		Employers	Employees
Compass	£1,107,638	£346,146	Greenwich Leisure Ltd	£1,151,067	£584,729
Greewnich Service Plus	£1,049,609	£356,512	GLL Libraries	£213,906	£85,855
Inspire	£452,487	£147,267	Homestart	£62,443	£28,356
Maritime	£447,435	£158,870	GLL Chlldren's Centre East	£60,491	£29,236
Shooters Hill	£269,744	£106,639	Central Greenwich Children's Centre	£66,567	£30,226
Halley Academy	£339,256	£92,918	Sanctuary Care Ltd	£53,258	£16,482
Charlton Park Academy	£232,679	£86,797	GLL Childrens Centre South	£46,655	£23,462
Crown Woods - Stationers	£233,893	£90,481	Heritage Trust	£36,103	£15,574
St Paul's Academy	£223,688	£85,507	Oxleas NHS Trust	£18,988	£6,650
Woolwich Polytechnic Academy	£227,578	£88,470	First Step Trust	£32,656	£18,606
Endeavour Partnership Trust	£173,063	£64,447	Glyndon Community Centre	£27,460	£10,471
St Thomas More	£135,632	£55,510	St Mary's (Eltham) Community Complex Association	£25,352	£9,562
Eltham (Harris) Academy	£118,325	£48,173	Charlton Athletic Community Trust	£21,712	£9,764
Greenwich Free School	£108,411	£42,680	Simba Housing Association	£13,802	£5,450
The Greenwich Catholic School Trust (St Mary's)	£90,402	£29,610	Greenwich Citizen Advocacy Project	£18,442	£7,194
UTC	£66,287	£27,330	GLL Play Centre	£12,414	£4,814

Scheduled			Admitted		
	Contribution Values			Contribution Values	
	Employers	Employees		Employers	Employees
Eltham Crematorium	£44,592	£15,890	May Harris Multi Services Ltd	£2,669	£693
IAG	£27,143	£10,685	Greenwich West Community & Arts Centre	£8,902	£4,586
Leigh Academy Blackheath	£24,742	£8,415	G4S	£8,169	£2,527
ULT John Roan	£186,669	£61,212	Quaggy Development Trust Children's Centre	£5,747	£4,071
			Avante	£8,276	£4,087
			Greenwich Co-operative Development Agency	£5,231	£2,061
			Westgate Cleaning Sherington	£4,621	£1,374
			Bridge 86	£3,919	£1,544
			Cucina	£249	£78
			Westgate Cleaning (St Marys)	£2,820	£838
			Taylor Shaw	£2,864	£851
			Greenwich Mencap	£2,499	£833
			Taylor Shaw Nightingale	£3,556	£1,057
			Mary Harris- Hawksmoor	£10,123	£3,009
			Nourish Catering	£6,460	£1,994

To the right is a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled Body	20	2	22
Admitted Body	29	20	49
Admin	1		1
Total	**50**	**22**	**72**

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 2019/20 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 fees.
- 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.

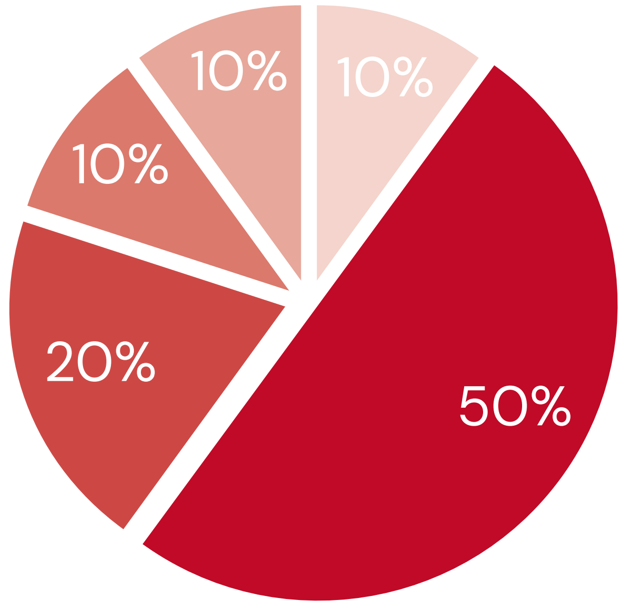
The Fund may also make use of derivative type investments either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

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 Analytics (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 2020 to the benchmark and the change from the previous financial year.

	Value	Target Allocation	Target Allocation	Pooling breakdown 2019/20	
Asset Class Breakdown	**31-Mar-20**	**2019/20**	**2019/20**	**Pooled**	**Awaiting Pooling**
	£m	**%**	**%**	**%**	**%**
UK equities	164	15	13	13	
Overseas equities	442	35	36	27	9
Bonds	235	20	19		19
Property	139	10	11		11
Private Equity - Wilshire	5	-	-		-
Private Equity - LGT	-	-	-		-
Diversified Alternative	108	10	9		9
Cash	21	-	2		2
Multi Asset Strategy	124	10	10		10
Total Scheme	**1,238**	**100**	**100**	**40**	**60**

Over the year, the scheme assets fell by £94m. Following the COVID-19 pandemic. However, the asset allocation remains in line with the benchmarks set in the latest investment strategy statement.

Pool Reporting

The following investment managers have managed mandates during the year:

Investment Managers 19/20	
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
Private Equity	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 £500m 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 £000	Development Funding Charge £000	Annual Service Charge £000	Capital Registration on Fee £000	Blackrock Passive funds holding fees £000	Total Costs £000	Gross Savings £000	Net Savings £000
2019/20	65	25		30	120	352	232
2018/19	65	25		28	118	331	213
2017/18	75	25		33	133	0	0
2016/17		25			25	0	0
2015/16		25	150		175	0	0
Total to Date	**205**	**125**	**150**	**91**	**571**	**683**	**445**

Breakdown of Scheme Assets by Manager as at 31 March 2020

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

Fund Values	2018/19 Market Value (£m)	Weight (%)	2019/20 Market Value (£m)	Weight (%)	Benchmark
Pooled into the LCIV					
Blackrock - Passive Global Equities	583	44	501	40	Composite Benchmark
Yet to be pooled into the LCIV					
Fidelity	128	10	135	11	50% iBoxx Sterling Non Gilt Index + 50% iBoxx Gilts Index
Fidelity GMAC	107	8	99	8	5% p.a. Nominal return over 3-5 year full market cycle
Fidelity GEME	117	9	106	9	MSCI Emerging Markets Index
CBRE - Property	138	10	144	12	AREF/IPD UK QPFI All Balanced Property Fund Index
Royal Borough of Greenwich	14	1	16	1	-
Partner's Group	114	9	108	9	Absolute Return of 7-11% p.a.
Invesco	122	9	124	10	UK 3m LIBOR
Private Equity: Wiltshire	6	0	5	0	
Private Equity: LGT Capital Partner's	3	0	0	0	-
London CIV	0	0	0	0	
Total	**1,332**	**100**	**1,238**	**100**	

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 2020				**1 year (%)**			**3 years (% p.a.)**			**5 years (% p.a.)**		
	Asset Class	Active/ Passive	Pooled	Fund	Benchmark	+/-	Fund	Benchmark	+/-	Fund	Benchmark	+/-
Total Scheme				-6.6	-4.3	-2.3	0.8	1.7	-0.8	4.2	4.4	-0.2
BlackRock	Passive Global Equities	Passive	✓	-12.5	-13	0.5	-1.1	-1.7	0.6		N/A	
CBRE	Property	Active		-1.4	0	-1.4	4.9	5.1	-0.2	6.1	6.1	0.1
Fidelity - BOND	Bonds	Active		6.2	6	0.2	4.2	3.5	0.7	4.9	4.1	0.8
Fidelity - GMAC	Bonds	Active		-6	3	-8.8	-1	3	-3.9		N/A	
Fidelity - GEME	Equities	Active		-9.6	-13.7	4.7	-1.3	-1.6	2.8		N/A	
Invesco	Multi Asset	Active		2	0.8	1.2	0.4	0.7	-0.3		N/A	
Partners Group	Diversified Alternative	Active		-4.1	9	-12	3.1	9	-5.4		N/A	

Overall, the Fund's assets performed slightly below benchmark over 1 year but performed relatively in line with the benchmark over 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.

The 1st quarter outperformed the benchmark by 0.4% with a performance of 5.2% and Q3 underperformed by 0.2% with a performance of 2.2% Overall the fund outperformed by 0.5% with a negative return of 12.5%

Fidelity Bond

The spread of the COVID-19 virus spooked markets and saw investors flock to safe haven assets over the last quarter. The fund underperformed its benchmark in the Q1 2020 by 1%, however, saw a 6.2% return over the year, outperforming the benchmark by 0.2%. The cross-market duration strategy contributed positively to excess returns in all quarters except Q3 2019 over the 12 months. In terms of outlook, Fidelity note that the recent sell-off has made valuations more attractive, however, this places a greater emphasis on stock selection. Although it is expected that global central banks will do everything in their power to keep interest rates at low levels, potential credit downgrades are a possibility should yields increase unexpectedly.

Fidelity GMAC

The fund posted a negative total return of 6% and underperformed its benchmark by -8.8% over the last 12 months. Financial markets witnessed unprecedented levels of volatility in Q1 2020, with the spread of the COVID-19 epidemic beyond China and the oil price crash, which lead to a sell-off in risk assets and significant moves in government bond yields. As a result, Q1 2020 saw the largest quarterly underperformance, which weighed on total returns over the period.

Fidelity expect to increase their position to investment grade credit going forward, to take advantage of attractive valuations in the asset class. With the inevitable prospect of defaults and downgrades, the manager has a preference for the relatively cheap US segment of the market, which has underperformed and now offers value.

Fidelity GEME

During the year, the Fidelity GEM fund outperformed the benchmark, achieving positive returns for the first three quarters of the year. However, COVID-19 had caused the 12 months return to 31st March to fall. However, this fund still outperformed the benchmark, achieving -9.6% against a benchmark of -13.7%. This trend continues into three-year performance, with the fund returning 1.3% against a benchmark of -1.6%. The outperformance over the year was mainly due to stock selection in the consumer discretionary sector and an underweight allocation to the energy sector. Some of the gains made over the year were offset due to COVID-19. One contributor to the drag on performance was a holding in India's largest bank, HDFC bank. Foreign investors looked at the government's ability to provide meaningful support and stimulus to a slowing economy, with COVID-19 causing further scrutiny. This led to the bank experiencing high outflows. Holdings in branded sportswear company Anta Sports Products were a key contributor over the period and are expected to withstand the pandemic better than its peers due to its business structure, brand portfolio and market leadership position.

Invesco

The 12 months returns for the Invesco were more in-line with the long-term return target, with a 2% return. From the 1st of April to the 19th of February, the fund was in-line with its target return. During the period of the 19th of February to 23rd of March, global equity markets were down c.33% due to fears and impacts associated with the Covid-19 Coronavirus. During this period, the fund drew down 1.78% (UK fund), thereby protected capital during this severe bear market. The fund delivered Q1 2020 returning negative 0.2%, against a very challenging global economic and market backdrop. The fund achieved these performance outcomes, well within its volatility target.

Partners Group

The fund returned -12.1% for the 12 months to 31st March 2020. This was mainly due to COVID-19. The 12-month performance to 31st December 2019 was 13.3%. Partners Group's benchmark is to achieve a 7-11% return per annum, net of fees, over a 5-year rolling basis.

Much of the returns over the year were due to private equity direct investments, with private infrastructure also being a main driver. The effects of COVID-19 were felt strongest within the private equity, private debt and listed portfolios. The decline over the final quarter of the year did not result in realised losses and the portfolio is well positioned to benefit from any recovery.

CBRE

Against a backdrop of challenging market conditions this year, the portfolio produced a total return of -1.6%, underperforming the benchmark return of 0.0%; 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 sector; CovId-19 Is accelerating certain structural changes already under way, such as growing online retail penetration, leading to Increased demand for Industrial/logistics space. Similarly, over the past five years, the portfolio has produced an annualised return of 5.8% per annum, outperforming the benchmark return of 5.7% 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 2020, 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	20.6	1.4
Wilshire Fund VII US- USD	16.2	0.5
Wilshire Fund VII Europe-EUR	6.5	0.2
Wilshire Fund VII Asia-USD	2.7	0.1

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	9.08	1.62
Wilshire Fund VII US	8.05	1.71
Wilshire Fund VII Europe	5.79	1.43
Wilshire Fund VII Asia	7.00	1.46

Largest holdings

The following table gives the top 10 pooled fund holdings at 31 March 2020.

Top 10 Global Holdings as at 31 March 2020	Market value	Weight
	(£m)	(%)
1 - Blackrock Aquila Life World	214.1	17.29%
2 - Blackrock iShares	164.4	13.28%
3 - Fidelity UK Aggregate	135.6	10.95%
4 - Invesco Perpetual	124.1	10.02%
5 - Blackrock Aquila Life 3000	123.3	9.88%
6 - Partners IC RBG Ltd	108.4	8.75%
7 - Fidelity Institutional Funds Emerging Markets -Acc	105.9	8.55%
8 - Fidelity Global Multi Asset Cred	99.5	8.03%
9 - Industrial Property Investment Fund	14.6	1.18%
10 - Schroder Unit TST UK Real Estate	12.7	1.03%
	1101.6	**88.95%**

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 E).

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 E).

Economic review

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Economic review

Global Economy

Many asset classes were left with positive returns over the second quarter of the year, to June 2019. Although there was negative sentiment in May, April and June proved to provide strong enough performance to outweigh this. Geopolitical tensions started to ease in April, however, US-China trade negotiations collapsed in May, sparking a trade war.

The trade war between the US and China worsened existing issues in the global economy and quickly reversed the risk rally that had supported markets since the start of the year. As a result, government bond yields were driven to record lows across Europe as investors gathered in safe havens. The US Treasury Yield fell 40 bps over the second quarter of 2019to 2.01%, its lowest level since late 2016. The 10-year German bond yield fell 26 bps to 0.33%, its lowest ever recorded level. European benchmarks were also at all-time lows over the quarter. The main driver of this risk-off move was due to the collapse of trade talks between the US and China. This led to both the US and China imposing tariffs on the each other's imports, with the US then threating higher tariffs. President Trump also placed several Chinese companies onto blacklists.

The US manufacturing PMI had been in decline for a year and was then close to stagnation, while China's manufacturing sector had been in decline for the most part of 2019. Global Manufacturing PMI indicated that the factory sector worldwide was the weakest since October 2012.

Over the second quarter of the year, markets anticipated rate-cuts before the year was up as a result of the Feds interest rate expectations shifting more than expected and the ECB President stating that additional stimulus would be required to help with inflation.

The Fed cut interest rates by 25 bps in both July and September. The ECB cut its deposit rate by 10 bps in mid-September and announced it would restart quantitative easing in November.

In August, President Trump imposed a 10% tariff on a further US$300bn of Chinese imports. In retaliation, China imposed its own tariffs on US$75bn of American goods, including soybeans, cars and oil.

Oil prices were lower over the quarter, however, prices spiked in mid-September due to a drone attack on processing facilities in Saudi Arabia, which shut down half of the kingdoms output.

As the quarter ended, Brexit continued to cause uncertainty for investors and opposition democrats launched impeachment proceedings against President Trump.

The fourth quarter of 2019 looked more promising in terms of the tensions between the US and China. President Trump announced he would sign the first phase of a trade deal with China in January, which provided reassurance to investors. This first phase included China agreeing to buy $200bn more from the US. This led to Wall Street ending at an all-time closing high, with the DOW closing on 29,031.

China's manufacturing purchasing managers' index returned to growth in November for the first time since April and was steady in December.

Although there were some signs of economic stabilisation, policymakers around the globe continued to face the weakest growth outlook since the financial crisis of 2008. The IMF cut its 2019 forecast of global growth to 3%, its lowest in a decade. The World Bank lowered its global growth projections to 2.6%. The policy actions of the Fed and ECB had heavy influences on market views in prior months, with the ECB launching a broad package of measures in September while the Fed's October rate cut was its third in the year. In late December, Sweden's central bank moved its benchmark rate by 25 bps to 0%, after years of negative interest rates. The outcomes of this will be closely watched by those still offering negative interest rates, including the eurozone, Japan, Switzerland, Denmark and Hungary.

A new strain of coronavirus (COVID-19) emerged in in December and dominated markets over the first quarter of 2020. The disease spread alarmingly quickly throughout the world at a rapid rate, causing many deaths. COVID-19 was officially declared a pandemic by the World Health Organisation in March 2020. This lead to borders closing and various lockdown measures over the world, bringing some sectors to a halt. Policymakers across the globe acted swiftly to implement a range of emergency rate cuts and quantitative easing programmes. They aimed to maintain lending liquidity to avoid a credit crunch. Governments around the world added huge fiscal stimulus that could amount to more than 10% of national GDP, which is unheard of since wartime.

Financial markets experienced high volatility due to the potential economic damage from the virus. Investors became more risk averse and as a result, huge falls in risk markets triggered circuit breakers that halted trading sessions.

The Fed cut interest rates twice in March, both of which occurred at unscheduled meetings. This took its benchmark to just above zero. The Fed also introduced quantitative easing measures, boosting bond purchases by at least US$700bn. They then upgraded to pledge unlimited quantitative easing. The central bank of America combined with other central banks of Japan, the UK, eurozone, Canada and Switzerland to ensure Dollars were available around the world.

The European Central Bank expanded its quantitative easing programme by €750bn. An issue of a common debt instrument (coronabond) was discussed by European leaders to raise funds for all members states. The Bank of England cut Bank Rate twice in March at emergency meetings, lowering the interest rate to a record low 0.1%. They also announced an additional £200bn of quantitative easing.

Following on from the actions of their central banks, major governments rapidly started to add fiscal measures amounting to trillions of dollars, including US$2 trillion from the US government for spending and tax breaks and a further US$2 trillion for infrastructure projects. The International Monetary Fund was prepared to lend US$1 trillion to help nations battle the coronavirus outbreak.

Surprisingly, China's factory sector returned to expansion in March as they eased lockdown measures. This provided investors with some hope that economies can begin to recover reasonably quickly once lockdown measures are eased.

UK Economy

Over the first quarter, developed market equities broadly outperformed emerging markets. European and US equities outperformed those of the UK and Japan given support from their respective central banks and increasingly stable economic data. The start of the year rally from risk assets was interrupted in May as US-China relations deteriorated. Tensions eased in June as Presidents Trump and Xi agreed to meet at the G20 giving a boost to markets.

UK equities were supported by the depreciation of sterling against a backdrop of Brexit and the forthcoming change in leadership of the UK government following PM Theresa May's resignation. That then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.

Economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the coronavirus outbreak. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. This is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Providing the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

Employment had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, when people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.

In the first quarter the ECB commented that they would not rule out further easing. Local currency emerging market debt performed strongly as the US dollar weakened, whilst credit spreads on investment grade debt and global high yield tightened, reflecting renewed investor appetite for riskier, higher income bearing assets.

In commodities, gold was the standout performer of the quarter reaching 6-year highs as the outlook for lower interest rates, a weaker US dollar and falling bond yields fuelled the rally.

Returns over the second quarter were generally muted, though perceived safe-haven assets performed strongly following a continued slowdown in global economic data and increased geopolitical risk.

2020 began on an optimistic note as markets rallied following the December agreement between the US and China for a ‘phase-one’ trade deal, further stabilisation in economic data releases in early January and further support from central banks. However, the outbreak of the Coronavirus became the focus of investor attention as the quarter progressed given both the terrible human cost, and the longer-term implications for the global economy.

Initially, the issue was treated as an Emerging Market shock with little spill-over to non-Asia markets until late February. Markets then began to price in broader disruption outside of emerging markets, particularly following the more significant outbreaks reported in Italy, Spain and Iran.

As the virus contagion spread across the globe, a realisation that the global pandemic could have material implications for global economic growth, business stability and society more broadly triggered some of the sharpest price movements in asset prices that we have seen since the stock market crash in 1987 and the Global Financial Crisis in 2008. Unsurprisingly, record large daily moves in equity prices trickled into market volatility, causing the VIX index to surpass its previous record high seen in 2008.

During March, as authorities increasingly stepped in to halt activity and the movement of people (in an effort to slow the spread of the virus), we witnessed significant fluctuations in equity and bond prices. The oscillation in prices reflected the mix of concern over the increasingly negative outlook for global growth in 2020, but also the reaction to central bank monetary stimulus and unprecedented levels of fiscal support from governments that were announced in an effort to underpin the global economy.

Equity markets fell by over 20% (as measured by the MSCI World Index) as global growth estimates for 2020 plummeted and concern escalated over the rate of contagion and implications for emerging markets and lower income economies. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

Scheme administration report

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Scheme administration report

Staff and Duties

The pension service comprises 11.6 full time equivalent (FTE) staff. 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 (LPFA) pension fund.

The services provided by the pension section consist of:

- Administration of the Local Government Pension Scheme (LGPS) in accordance with relevant legislation.
- Running and maintaining the Pension Payroll to ensure accurate and timely payment of monthly pensions to 7,341 pensioners and their dependants.
- Maintaining 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).
- Provision of key employee data to the NHS and London Pension Fund Authority.
- Provision of key data to Fund's actuaries, Government and outside bodies, responding to legislative information requests.
- Aiming to achieve a high standard with regards to service delivery and customer service.
- Providing information to scheme members and other bodies associated with the LGPS.
- Providing guidance to the Pension Fund Investment and Administration Panel on pension legislation and the options that are available.

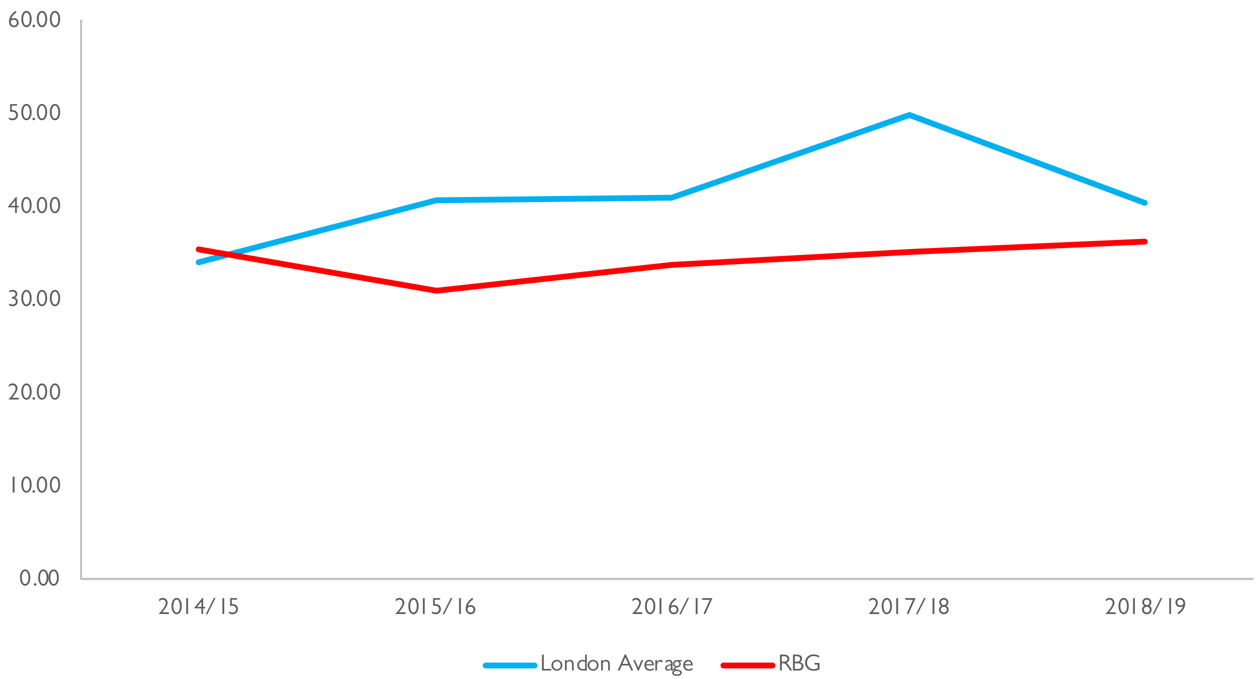
The pension service has the following aims at its core:

- 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 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.
- 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



*The London average is made up of the average administration expenses per member of seven neighbouring boroughs.

Please note, this information is only available up until 31st March 2019 as the 31st March 2020 accounts for the neighboring boroughs were not published at the time of calculation.

Year in Review

2019/2020 continued to be a challenging year for the team which has continued to meet the high demands of the service. Demands for information from scheme stakeholders remained high, in particular, requests for estimates for both immediate and deferred pensions into payment have increased significantly showing an increase of 12.76% when compared to 2018/2019 and 83.1% against 2017/2018.

The 2019 triennial valuation was carried out during the year with the provision of accurate and timely data to the funds actuary being a key priority to ensure the accurate and timely setting of future contribution rates for scheme employers and the overall valuation of the fund. The data was provided within the agreed timeframe, with both the administration and finance teams working together with the funds actuary to deliver the valuation in a timely manner and in line with legislation requirements. The fund also saw an improvement of on data quality scores under the TPR guidelines for both common and scheme specific data.

The pension team have continued to experience considerable change to staffing. Recruitment and retention of experience pension staff remains challenging. A long-standing vacancy for a senior pensions officer was filled in November 2019, however this was shortly followed by a further vacancy arising for a deputy pensions manager, the team having lost 2 experienced managers within 4 months of each other. 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.

Work has been prioritised to deliver the service's core functions of retirement cases, deceased cases, provision of pension estimates and the setting up and timely payment of monthly pensions. Additionally, task specific "blitz" days have been implemented to reduce the number of backlog cases. These have proven to be very successful for example deferred notifications have increased to 839 cases in 2019/2020 from 374 the previous year.

The end of the year proved to be the most challenging yet, with the Covid 19 lockdown requiring the team to completely review their work processes and priorities urgently to accommodate home working rather than a central office-based environment. The team worked with other departments across the council with no loss of service to payments in respect of lump sum payments or pensions into payments. Services have been prioritised and adapted in line with the pension regulator's guidance and continue to be reviewed.

Scheme membership and associated workload

The total membership across actives, deferreds, pensioners and dependants has increased from 25,284 to 25,778. The number of pensioners and dependants rose by 4.5% increasing pension payroll workloads in respect of the setting up and payment of monthly pension payments. Active membership remains high with 1673 new starters being processed in the 2019/2020 year. Members changing positions and service amalgamations continue to significantly impact workloads for the data team, with a total 1134 cases being processed in 2019/2020 against 539 the previous year. Refunds of contributions have also increased by 97.44% on the previous year, with retirements and deferred into payments showing an increase of 27.4%. The overall throughput of the team has increased by 31.58% on 2018/2019 and 53.18% on 2017/2018.

The team has continued to work with fund employers, including the council, who are undergoing restructuring and retendering for service contracts. They have provided information to support effective decision making as well as providing individual guidance and support for members themselves. The team have also attended HR open days, pre-retirement courses and individual employer pension presentations.

One new academy also joined the fund in 2019/2020.

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 910 pension estimates during the year compared to 807 the previous year and 497 in 2017/2018.

Annual benefit statements for both active and deferred members were provided to members by the statutory deadline of 31 August 2019. 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.

Legislation

Consultations such changes to the valuation cycle and management of employer risk together with updates on the cost cap exercise and implications of McCloud/Sergeant judgements have been reviewed and communicated with scheme employers.

The complexities of annual allowance, especially for high earners with 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 1-2-1s with the individuals concerned.

Projects

- **Data Cleansing –** As required by the pension regulator a data quality exercise took place in September 2019 to measure the fund's common and scheme specific data in line with the pension regulators requirements, resulting in a slightly improved 93.5% pass rate for common data and 82.8% pass rate for scheme specific data.
- **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 –** Tender took place in 2019/2020 completing in August 2019. The new contract included an upgrade to a new look member self-service portal. The new online portal allows members to link to other key websites and information such as the national members website, download and upload various documents, view and in some cases update information held on their pension record and run appropriate calculations. With new ways of working being necessary due to

the Covid 19 lockdown it was agreed that this project should be completed urgently. The portal was made available to members in June 2020, members of the team having worked with the software provider to deliver the project.

The year to come

- **GMP reconciliation project -** The team will continue to work with the selected contractor to finalise this project with HMRC providing a final data cut in the second half of the year and communications to affected members by the end of the financial year.
- Staff training and resilience remain a key objective for the pension management team. 2 members of staff having completed their initial pension qualifications will continue studying for formal pension qualifications at a higher level. External and internal training sessions are being planned for all members of the team.
- Employers continue to review their service contracts, for example Schools & Academies continue to review their catering and cleaning contracts and this is expected to continue into 2020/2021. This could significantly impact the work of the data team and for management in respect of employer liaison and support. Work will continue to implement an improved streamline process for the admittance and monitoring of new employers into the fund, incorporating any future changes to fair deal into the new procedures and guidance.
- Further changes to pension legislation and guidance are expected in 2020/2021 including - the outcomes of MHCLG's consultation on the McCloud/Sergeant remedy & the cost cap the implementation of the 95 cap on exit payments.
- The complexity and workload, especially in respect of McCloud/Sargeant remedy will significantly affect resource in the pensions administration team. The management team will need to look at the options in respect of this to minimise the impact on the service. 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.
- 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 2019 and this comes into effect in 2020/21. Below is a statement from the Fund's actuary summarising the 2019 valuation. The full 2019 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 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

2019 Valuation Results

Asset value and funding level

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

- The Fund as a whole had a funding level of 97% i.e. the assets were 97% 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 £45m.
- To cover the cost of new benefits and to also pay off the deficit over a period of 17 years, a total contribution rate of 18.5% 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 2019 are summarised below:

Assumption	31 March 2019
Discount rate	5.0% p.a.
Pension increases (CPI)	2.6% p.a.
Salary increases	3.6% p.a.
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 S3PA heavy series, making allowance for CMI 2018 projected improvements with a long term rate of improvement of 1.25% p.a., a smoothing parameter of 7.5 and no additional initial improvement.
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 2019 valuation

Since 31 March 2019, investment returns have been significantly lower than assumed at the 2019 triennial valuation and the market value of the assets held by the Fund has fallen by 7%. The value placed on the liabilities will have also increased due to the accrual of new benefits as well as a slight decrease in the real discount rate underlying the valuation funding model.

Overall, we expect that the funding position will have deteriorated when compared on a consistent basis to 31 March 2019 though some of the effects of short-term volatility from market conditions is mitigated by our smoothed funding model.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.

Julie Baillie FFA
Actuary, Barnett Waddingham LLP

Barry McKay 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 2019/20 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 C).

Panel Attendance in Municipal Year 2019/20

The table below shows the meeting attendance of Panel members and over the course of the year. The Panel formally met on five occasions during the year, including the annual away day in November.

	2019					2020
Training	Financial Markets and Product Knowledge	-	Actuarial Methods, Standards and Practices	Away Day	Procurement	Accounting and Auditing Standards
Councillor	**17-Jun**	**15-Jul**	**16-Sep**	**22-Dec**	**16-Dec**	**23-Mar**
Peter Brooks (Chair)	A	A	A	A	A	N/A
Olu Babatola	A	*	A	A	A	N/A
Christine May	A	A	*	A	A	N/A
Patricia Greenwell	*	A	A	A	A	N/A

A = Attended

* = Absent

N/A = Not applicable (meeting postponed - Covid 19)

The Royal Borough of Greenwich Pension Board

The Royal Borough of Greenwich Pension Board met on three occasions during 2019/20, including the annual awayday in November. 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. A copy of the Pension Board Annual Report can be found In Appendix G.

Pension Board Attendance in Municipal Year 2019/20

	2019				2020
Training Title Attendee	Financial Markets and Product Knowledge	Actuarial Methods, Standards and Practices	Away Day	Procurement	Accounting and Auditing Standards
Attendee	**15-Jul**	**16-Sep**	**22-Nov**	**16-Dec**	**23-Mar**
Councillor Gary Dillon	A	*	*	P	N/A
Councillor Norman Adams	A	A	*	P	N/A
Justin Jardine	A	A	A	P	N/A
Simon Steptoe	A	A	A	P	N/A

A = Attended

* = Absent

P = Postponed

N/A = Not applicable (meeting postponed - Covid 19)

Member Training

The first Myner's Principle (see Investment Strategy Statement Appendix E) 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 F) 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 2019/20. 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 2020/21.

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

Fund Account as at 31 March 2020			
2018/19 £000	**Fund Account**	**Notes**	**2019/20 £000**
Dealings with Members, Employers and Others directly involved in the Scheme Contributions Receivable:			
(36,026)	Employer Contributions	6	(37,730)
(13,507)	Member Contributions	6	(13,995)
(2,318)	Transfers in from Other Pension Funds	7	(3,470)
Benefits:			
44,068	Pensions	8	46,013
10,722	Lump Sum & Death Benefits	8	11,485
4,194	Payments to and on account of Leavers	9	3,726
7,133	**Subtotal: Net (additions) / withdrawals from Dealings with Members**		**6,029**
6,085	Management Expenses	10a	7,776
Returns on Investment			
(5,716)	Investment Income	11	(7,708)
(64,641)	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		87,961
(70,357)	**Net Returns on Investment**		**80,253**
(57,139)	**Net (increase) / decrease in the Net Assets available for Benefits during the year**		**94,058**

The Funds Accounts were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The following are derived from the audited financial statements of the Royal Borough of Greenwich Pension Fund for the year ended 31 March 2020. The complete 2019/20 pension fund financial statements can be found in Appendix H.

Net Asset Statement as at 31 March 2020			
31 March 2019	Net Asset Statement	Notes	31 March 2020 £000
	Investment assets		
0	**Pooled Investment Vehicle** Equities	14	3
234,327	Fixed Interest	14	235,092
137,865	Property Unit Trusts	14	136,556
493,174	Unitised Insurance Policies	14	460,567
329,364	Other Unit Trusts	14	270,636
2,200	Property – Freehold	3&14	2,490
8,598	Private Equity	14&22	4,900
114,564	Diversified Alternative	14	108,422
118	Cash Deposits	19	144
7,189	Cash Equivalents	19	7,628
162	Other Investment Balances	18	46
	Investment Liabilities		
(1,140)	Other Investment Balances	18	(1,209)
1,326,421	**Net Investment Assets / (Liabilities)**		**1,225,275**
	Current Assets		
413	Contributions Due	18	575
119	Other Investment Assets	18	450
6,236	Cash Balances	19	13,350
	Current Liabilities		
(174)	Unpaid Benefits	18	(210)
(546)	Other Current Liabilities	18	(1,029)
6,048	**Net Current Assets / (Liabilities)**		**13,136**
1,332,469	**Net Assets of the Scheme available to fund Benefits at the Period End**		**1,238,411**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2020. 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 latest statement is included as Appendix I 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 E 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 J

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 F.

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.

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 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.

COVID-19
Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus.

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

The Office of the Pensions Ombudsman
10 South Colonnade, Canary Wharf, E14 4PU
Tel: **0800 917 4487**
Website: **www.pensions-ombudsman.org.uk**

Administration Enquiries
35 Wellington St, Woolwich, London SE18 6HQ
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Investment Enquiries
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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**

Asset Pool Operator
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London, SE1 0NZ
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Website: **pensionCIV@londonciv.org.uk**

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APPENDIX A

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**	Employers monitored against requirements of relevant legislation. Employers monitored against requirements of Fund KPIs. Overdue contributions actively chased from employers Persistent, significant or negligent failure reported to the Pensions Regulator Cashflow forecast monitored.	This is undertaken monthly.	2	2	**4**	⟷	**Alison Brown**	**31/12/19**
Data Protection (GDPR)	A2	Data is lost or misused leading to service disruption and / or breach of Data Protection legislation.	3	3	**9**	Password / encryption. Files transfers. Back-ups. Training.	Data is backed up on a daily basis in a secure manner for 30 days. Files containing member information are encrypted/password protected prior to transmission. Staff are trained on the data they can and cannot provide. Use of secure email portals.	2	2	**4**	⟷	**Kelly Scotford**	**31/12/19**
Data Quality	A3	Poor maintenance and procedures leading to inaccurate data base with subsequent information degradation.	3	3	**9**	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. Investigate returned mail.	Training notes/checklists used for most tasks, and checked by senior officers. All returned mail investigated and gone	3	3	**9**	⟷	**Alison Brown**	**31/12/19**

						away indicator used where necessary.					
					Tracing agencies.	Further bulk address tracing due to be carried out, individual DWP traces can be carried out as and when required.					
					Annual data cleansing.	Annual Data cleanse undertaken as part of the year-end Annual Benefit Statement preparation.					
					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.	Reports being run by management for all organisations, discrepancies investigated when loading.					
					Data Quality Measure and Improvement	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.					
					Employer engagement / training to prevent future errors.	Written information factsheet provided with year end return for employers with external payroll. Officers available for employer training as and when required.					
					Master list of employer contacts updated annually.	Contact sheets issued to employers for review Feb 2019.					

Fraud by Member	A4	An act to gain a benefit not lawfully due.	3	2	**6**	National Fraud Initiative. Payslips twice a year. Primary documentation (birth / marriage / death certificates).	The fund participates in the NFI exercise of cross-matching personal details. Pensions ceased on any returned mail pending investigation. Pensions use the Tell Us Once notification service in respect of death notifications. Pension team access the LGPS NI database for cross matches for membership across boroughs.	2	2	**4**	⟷	**Alison Brown**	**31/12/19**
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**	**31/12/19**
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	3	4	**12**	⟷	**Kelly Scotford**	**31/12/19**

							this procurement, it could expose the fund to major risk. This is currently being monitored by senior management						
Making payments	A7	Incorrect calculations leading to payment errors.	2	3	**6**	Training. Peer review. . IT test system	The auditor reviews the peer review process. Benefit calculations are double checked before they come into payment with appropriate sign off levels in place. 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	1	3	**3**	⟷	**Alison Brown**	**31/12/19**
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**	**31/12/19**
Provision of information	A9	Failure to administer scheme appropriately leading to incorrect decisions being made by members and the Fund that could adversely financially	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	2	2	**4**	⟷	**Alison Brown**	**31/12/19**

		affect various stakeholders.					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.						
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. Officers Meet with Managers and Custodian twice yearly. Assets are held on a nominee basis by the custodian.	2	2	**4**	↔	**Julian Gocool**	**31/12/19**
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 of accounts by senior management before submission to external audit.	2018-19 accounts were unqualified.	1	3	**3**	↔	**Damon Cook**	**31/12/19**
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.	2018-19 accounts were unqualified.	1	4	**4**	↔	**Damon Cook**	**31/12/19**
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**	**31/12/19**

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**	**31/12/19**
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. Officers involve in regular Pension forum and discussion with Peers Review of Report by the Finance Manager		2	4	**8**	↕	**Julian Gocool**	**31/12/19**
Discrimination	A16	Failure to provide information in a suitable format where requested (e.g. braille, large print, other language, etc.).	2	3	**6**	Investigate need to provide information in an alternative format and source appropriate suppliers to be used by the Council where required.	Reports all provided in the standard variety of formats as required by RBG corporate policy.	1	3	**3**	↔	**Alison Brown**	**31/12/19**
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**	**31/12/19**
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.	4	3	**12**	↔	**Kelly Scotford**	**31/12/19**

							Training for all members as requested.						
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**	**31/12/19**
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**	**31/12/19**
Socially irresponsible business practices	C5	Failure to manage the Fund in line with socially responsible business practices as well as Council or Fund policies.	2	4	**8**	Membership of the Local Authority Pension Fund Forum. Monitoring application of local policies.	Statement on socially responsible business practices outlined in Statement of Investment Principles. Regular review of Statement of principles	2	2	**4**	↔	**Julian Gocool**	**31/12/19**
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.	Working ongoing to development KPIs in Administration of the Fund. Pension Board review key areas.	3	2	**6**	↕	**Julian Gocool**	**31/12/19**
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	5	3	**15**	Monitor Risk profile: • Employer Type • Funding Source • Strength of covenant • Open/closed • Accounts/credit	All employers subject to financial health check. Funding Strategy Statement band like employers together.	5	3	**15**	↕	**Julian Gocool**	**31/12/19**

		be recovered by residual employers				• Admin records • Bond/guarantee • Deficit recovery period • Active Members	Consideration of bond / guarantee is given for new employers.						
Contribution	E2	Shortfall arising from change in employer's membership / status. Employee participation rate falls.	3	3	**9**	Employers reminded to advise administering authority of changes. Risk profiling. Effective communication with stakeholders.	Monitoring of employers' active members.	3	2	**6**	⟷	**Julian Gocool**	**31/12/19**
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**	Employer 'healthcheck' spreadsheet developed and maintained by officers. Employer engagement.	All employers subject to periodic financial health check including review of covenant arrangements.	3	3	**9**	⟷	**Julian Gocool**	**31/12/19**
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**	**31/12/19**
Investment	**I**												
Asset Concentration	I1	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 Investment strategy statement. This is reviewed quarterly against the benchmark allocation.	2	3	**6**	⟷	**Julian Gocool**	**31/12/19**
Asset / Liability mismatch	I2	Asset mix insufficient to generate funds to meet liabilities resulting in lower funding level, inappropriate deficit recovery period and	4	4	**16**	Asset / liability study. Diversification. Frequent monitoring.	New asset/liability study underway- aim to be in plan 2020/21	2	2	**4**	⟷	**Julian Gocool**	**31/12/19**

		increased employer contributions.										
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**	**31/12/19**
Counterparty Default	14	The counterparty to a transaction defaults on their element leading to a potential loss for the fund.	2	3	**6**	Custodian. Review of credit rate of counterparty Legislation.	All transactions are reconciled between the investment manager and the custodian.	1	2	**2**	⟷	**Julian Gocool**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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. The Fund is now cashflow negative. New asset allocation will make sure there sufficient investment income being return to the Fund to meet benefits payment.	3	4	**12**	⟷	**Julian Gocool**	**31/12/19**

APPENDIX A

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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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 market volatility has further emphasised this e.g. Brexit. Late Feb 2020- saw financial market reaction to the spread of coronavirus. The FTSE 100 index made a loss of 8.2% in the 4 days to 28/02/2020 or the equivalent of £164bn being wiped	4	4	**16**	↕	**Julian Gocool**	**28/02/2020**

							off the value of the U.K's Leading Companies.						
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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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.	1	3	**3**	↔	**Julian Gocool**	**31/12/19**

							Fund have legal advisor that can review new mandates						
London CIV	I21	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. The London CIV have increase their staffing level as new fund is launch.	3	2	**6**	⟷	**Julian Gocool**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
Liability (Financial)	**LF**												
Discount rate	LF1	Yields change beyond assumptions further increasing liabilities,	3	4	**12**	Frequent market monitoring.	The triennial valuation has set the discount	2	4	**8**	⟷	**Julian Gocool**	**31/12/19**

		reducing funding levels and increasing employer contributions.				Prudent assumption adoption. Hold assets matching liabilities.	rate for the next three years. The fund is updated by the investment consultant as to the 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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
Other	**O**												

Cyber Security (as per the GMT Strategic Risk Register - Nov 18	O1	The Royal Borough must ensure that its systems and services are protected from Cyber Security attacks and data breaches.Causes: • Varying manners of accessing RBG's ICT infrastructure from both within the Council's network and via public channels • Increasing number of over privileged users working across numerous teams both internal to RBG and via third-party supplier chain. Lack of Cyber Security and technical expertise within the Council to respond to misconfiguration or malicious use of systems. Effects: • Threat actors gain access to Council data and systems • Temporary or permanent loss of data, sensitive data exposure in the public domain and/or reputational damage • Financial penalties imposed due to a breach of regulations • Disconnection from the Public Sector Network (PSN) and its associated services	4	4	**16**	Technical training for ICT staff • Annual PSN accreditation • Annual Penetration Testing performed as part of the PSN accreditation • User awareness on phishing emails and Ransomware published on the Intranet • Separation of standard user accounts from administrative user accounts • Change from default administrative membership of the super privileged Domain Admins security group, to a needs-must membership • Web filtering and Email filtering • Patch management	· Build up a Cyber Security incident response team (CSIRT) and cyber security awareness/expertise within the ICT teams • Role Based Access Control Matrix being developed, which will help to apply the principle of least privilege • Council user education and awareness to develop a security conscious culture	2	4	**8**	↕	**Kit Collingwood**	**27/02/2020**
Business Continuity (Staffing - Health epidemic)	O2	Unavailability of adequate staff levels leading to being unable to administer pension payroll and administrative records.	4	4	**16**	- Key officers have the ability to work from home with access to the systems.	The Council have provided guidance for managers and Employers on the coronavirus.	4	4	**16**	↔	**Julian Gocool**	**28/02/20**

						- Officers have shared roles and responsibility - so critical duties can be carried out by numerous staff.							
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. Review of ESG policy	Primary fund managers comply with the Stewardship Code. LAPFF alert funds to specific issues for action.	3	2	**6**	↔	**Julian Gocool**	**31/12/19**
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**	↔	**Damon Cook**	**31/12/19**
Peer performance	R3	Investment returns below peer group funds or excessive risk levels relative to peer group leading to reputational damage for the Fund.	3	4	**12**	Peer performance comparison.	Comparison of performance against peers undertaken on a regular basis.	2	4	**8**	↔	**Julian Gocool**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
Administration service cost	R6	Risk that excessive costs of administration	2	4	**8**	Benchmarking costs against peers and Regular	Administration is reported in the	1	4	**4**	↔	**Julian Gocool**	**31/12/19**

		could lead to a loss of reputation.				performance measurement. Seeking opportunities to introduce efficiencies.	Pension Fund annual report						
Business continuity	R7	Failure to maintain adequate BCM arrangement	2	4	**8**	RBG BCM	Kept under review	1	4	**4**	↔	**Julian Gocool**	**31/12/19**
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. Risk Register is a live document- any significant change is review against the register for possible inclusion.	1	4	**4**	↔	**Julian Gocool**	**31/12/19**
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**	**31/12/19**
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**	**31/12/19**
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 2019/20 with refresher subjects covered on an on-going basis. Will continue to be reviewed on an on-going basis.	3	1	**3**	↔	**Julian Gocool**	**31/12/19**

APPENDIX A

		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. Log of Training	Detailed training undertaken in 2019/20 with refresher subjects covered on an on-going basis.	1	2	**2**	⟷	**Julian Gocool**	**31/12/19**
		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. Awaiting New Knowledge and skills guidance from CIPFA	1	2	**2**	⟷	**Julian Gocool**	**31/12/19**
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 which is reviewed by senior management. Regular management meetings between head of pensions and operations manager	3	3	**9**	⟷	**Alison Brown**	**31/12/19**
		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**	**31/12/19**
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,	Engagement with Committee Services on Knowledge and Skills requirements for Panel Members.	1	3	**3**	⟷	**Julian Gocool**	**31/12/19**

					end of term of office, etc.).					

*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.

Risk Register Scoring Mechanism

The risks that have been identified are assessed in relation to two aspects:

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

Each element is independently assessed on a scale of 1-5 (see table below). The product of the elements for each risk is calculated to give an overall score. Scores can be plotted on a matrix to determine the overall risk factor (high, medium, low). The factor will determine the level of response required by the Fund in respect of that risk.

Chance

Score	Overall Chance	Definition
1	Unlikely	This event is not expected to occur
2	Rare	The event may occur only in exceptional circumstances
3	Possible	The event might occur at some time
4	Likely	The event will probably occur in most circumstances
5	Almost Certain	The event is expected to occur in most circumstances

Impact

Score	Overall Impact	Definition
1	Negligible	The event should cause little or no effect to the Fund
2	Minor	The event should have a minor effect upon the Fund
3	Moderate	The event should have a moderate effect upon the Fund
4	Major	The event should have a major effect upon the Fund
5	Very Significant	The event should have a very significant effect upon the Fund

Matrix

		Impact				
		5 V Significant	**4 Major**	**3 Moderate**	**2 Minor**	**1 Negligible**
Chance	**5 - Almost Certain**	25	20	15	10	5
	4 - Likely	20	16	12	8	4
	3 - Possible	15	12	9	6	3
	2 - Rare	10	8	6	4	2
	1 - Unlikely	5	4	3	2	1

Risk Factor	Management of Risk
16 – 25 Significantly High Risk	Senior management monitoring
11 – 15 High Risk	Management develop action plan / monitoring
6 – 9 Medium Risk	Routines enhanced by specific procedures
0 – 5 Low Risk	Routine procedures

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.

Appendix C

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***.	• 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
The Panel will be responsible for any changes to the terms of the mandates of existing ***fund managers***.	• The Panel will consider and monitor the quarterly reports produced in respect of the ***fund managers***. In addition to ***fund managers***' portfolio and performance reporting, the Panel will also periodically receive and review information relating to the managers ***risk*** analysis. • The Panel will continually review the ***fund managers***' mandates and their adherence to their expected investment process and style (e.g. ***active***, ***balanced***, ***passive*** etc). The Panel will ensure that the explicit written mandate of each of the ***fund managers*** is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, ***risk*** parameters and timescale. The Fund's ***percentile*** performance ranked against other ***LGPS*** funds will be assessed quarterly.		• Investment of the Fund's assets. • Tactical ***asset allocation*** around the Fund's strategic ***benchmark***. • 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.		
	The Panel may also carry out any additional tasks delegated to it by the Council, including: • 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	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers such as admitted bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers	 ✓ ✓ ✓	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

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
Meetings (frequency / quorum)	That an administering authority's main committee or committees meet at least quarterly.	✓	Stated in Governance Policy 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 1 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 1 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

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.

<u>Principle 6</u>

"…***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.

<u>Principle 7</u>

"…***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.

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 (Man agement 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	

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
Global equity passive	*15.0*
Smart Beta Allocation	*10.0*
Emerging markets active	*10.0*
Property	10.0
Bonds	20.0
Multi Asset Credit	*10.0*
UK Aggregate Bond Fund	*10.0*
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. They 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:

- 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.

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
1 - Effective Decision Making Administering authorities should ensure that: • 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.	*The Royal Borough of Greenwich Pension Fund fully complies with this principle.* 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. 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. A two year rolling business plan has been developed and approved by the Panel.
2 - Clear objectives 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	*The Royal Borough of Greenwich Pension Fund fully complies with this principle.* 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

attitude to risk of both the administering authority and scheme employers. These should be clearly communicated to advisers and investment managers.	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.
3 - Risk and liabilities • 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.	*The Royal Borough of Greenwich Pension Fund fully complies with this principle.* 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. 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. The longevity risk is built into the triennial actuarial valuation and is therefore included when determining the investment strategy. The investment risks and how they are managed are detailed in the SIP.
4 - Performance Assessment • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.	*The Royal Borough of Greenwich Pension Fund complies with this principle.* 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

• 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.	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. 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. The Annual Report outlines training undertaken, in order to ensure effective decision making.
5 - Responsible Ownership Administering authorities should: • 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.	*The Royal Borough of Greenwich Pension Fund complies with this principle.* 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, 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. The Fund expects its investment managers to engage with companies within their portfolio on social, environmental and ethical issues.

6 - Transparency and Reporting Administering authorities should: • 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.	*The Royal Borough of Greenwich Pension Fund fully complies with this principle.* 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: • 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 These documents are published on the internet and hard copies are available on request.

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

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

Royal Borough of Greenwich Pension Fund

Knowledge and Understanding Policy and Framework

1 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.

3.3 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.

3.4 Where appropriate, knowledge and skills requirements will be met via in-house training, external training and attendance at relevant networks.

3.5 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.

3.6 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.

3.7 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.

3.8 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

5.2 **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

5.3 These risks will be monitored and appropriate records of learning programme maintained, in order to minimise the risk.

Annual Report of the Pension Board 2019/2020

<u>Background</u>

1.1 The Local Pension Board (the Board) was established on 1 April 2015 by the Pension Investment and Administration Panel under delegation from the Administering Authority.

1.2 The local Pension Board (the Board) is into its fifth year of operation and has developed into an important part of the authority's overall governance arrangement. 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, with the efficient and effective governance and administration of the scheme.

1.3 The Board is made up of two member representatives and two employer representatives, each with voting rights. Members of the Board may attend meetings of the Pension Fund Investment and Administration Panel (the Panel) as observers. The chair of the Board is also invited to attend the Panel meetings. This provides a useful link between the advisory body and the Board.

1.4 The Board is constituted under the Public Service Pensions Act 2013 and meets formally to consider arrangements for the Fund, to review decisions made by the Panel and to request further information from Fund officers and advisors. The Board has no decision-making role in relation to management of the fund, but is able to make recommendations to the Panel.

<u>Activity during 2019/20</u>

2.1 The Board met formally on two occasions during 2019/20. The Board's membership and attendance at meetings are set out in the table below.

Table 1- Membership and attendance

	2019			2020
	15-Jul	**16-Sep**	**16-Dec**	**23-Mar**
Councillor Norman Adams	✓	✓	×	×
Councillor Gary Dillon	✓	×	×	×
Justin Jardine	✓	✓	×	×
Simon Steptoe	✓	✓	×	×

December 2019 & March 2020 meetings cancelled.

The Business Plan for 2019/20 is attached as Appendix B.

A summary of the items considered during the year is as follows:

- Review the business plan for 2019/20
- Review the annual report of the Pension Board for 2018/19
- Review the draft Pension Fund annual report for 2018/19
- Review of Scheme administration arrangements
- Meetings with Fund managers/presentations
- Review of the Pension Fund Audit Findings Report
- Review of Pension Fund Investment Strategy and Performance
- Review of the Pension Fund Knowledge & Understanding Policy and Framework
- Training on Actuarial Methods, Standards and Practices, Procurement Methods and Auditing Standards
- Review of the arrangements for the publication of Fund strategies statements and reports
- Review of Share Cost of AVC Salary Sacrifice
- Funding Level Review
- Agree the draft business plan for 2020/21

Training

3.1 During the year, board members received training from the Fund's investment and governance advisor Hymans Robertson, The Funds Actuary, Barnett Waddingham and the Head of Procurement Services. Together with Panel members and officers, Board members attended a series of additional training sessions based on the CIPFA Knowledge and

Skills Framework for Pension Funds. Training is on-going and will continue into 2020/21 and beyond.

Board members were invited to attend a Pension Fund Away Day on 22 November 2019 which was also attended by Panel members, officers, the Fund's investment advisors and Fund investment managers. The day provided training and discussion on areas such as LGPS updates, environment, social and governance issues, triennial valuations and setting investment strategies.

Expenses

4.1 There were no expenses claimed by Board members in relation to their Board duties during the year.

Risk management

5.1 Members of the Board declare their interests at each formal meeting. There were no reported conflicts of interest during the year. No investigations into the activities of the Fund were required by the Board during the period under review.

5.2 A risk register is maintained for the Fund and is formally reviewed by the Panel on an annual basis.

Future activity

6.1 2020/21 will see the Board further develop its role with specific focus on governance of the Fund and the role of the Board as per The Pension Regulator Regulation 14. The business plan for 2020/21 is attached as appendix C to this report.

Independent Auditor's Report to the Members of Royal Borough of Greenwich

Independent auditor's report to the members of Royal Borough of Greenwich on the pension fund financial statements of Royal Borough of Greenwich Pension Fund

Opinion

We have audited the financial statements of Royal Borough of Greenwich Pension Fund (the 'pension fund') administered by the Royal Borough of Greenwich (the 'Authority') for the year ended 31 March 2020 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 2019/20.

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 2020 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

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 Section 151 Officer use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Section 151 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.

In our evaluation of the Section 151 Officer conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property and infrastructure investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's private equity, property and diversified alternative investments as at 31 March 2020. As, disclosed in note 5 to the financial statements, the ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund private equity, property and infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy. Our opinion is not modified in respect of this matter.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's and group'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, [the Narrative Report and the Annual Governance Statement 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 Executive Director – Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 Section 151 Officer. Section 151 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 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 Section 151 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 Audit and Risk Management 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

Paul Dossett Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

26 November 2020

Royal Borough of Greenwich Pension Fund

2018/19 £000	Fund Account	Notes	2019/20 £000
	Dealings with Members, Employers and Others directly involved in the Scheme		
	Contributions Receivable:		
(36,026)	Employer Contributions	6	(37,730)
(13,507)	Member Contributions	6	(13,995)
(2,318)	Transfers in from Other Pension Funds	7	(3,470)
	Benefits:		
44,068	Pensions	8	46,013
10,722	Lump Sum & Death Benefits	8	11,485
4,194	Payments to and on account of Leavers	9	3,726
7,133	**Subtotal: Net (additions) / withdrawals from Dealings with Members**		**6,029**
6,085	Management Expenses	10a	7,776
	Returns on Investment		
(5,716)	Investment Income	11	(7,708)
(64,641)	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		87,961
(70,357)	**Net Returns on Investment**		**80,253**
(57,139)	**Net (increase) / decrease in the Net Assets available for Benefits during the year**		**94,058**

31 March 2019 £000	Net Asset Statement	Notes	31 March 2020 £000
	Investment assets		
0	Equities		3
	Pooled Investment Vehicles:		
234,327	Fixed Interest	14	235,092
137,865	Property Unit Trusts	14	136,556
493,174	Unitised Insurance Policies	14	460,567
329,364	Other Unit Trusts	14	270,636
2,200	Property – Freehold	3&14	2,490
8,598	Private Equity	14&22	4,900
114,564	Diversified Alternative	14	108,422
118	Cash Deposits	19	144
7,189	Cash Equivalents	19	7,628
162	Other Investment Balances	18	46
	Investment Liabilities		
(1,140)	Other Investment Balances	18	(1,209)
1,326,421	**Net Investment Assets / (Liabilities)**		**1,225,275**
	Current Assets		
413	Contributions Due	18	575
119	Other Current Assets	18	450
6,236	Cash Balances	19	13,350
	Current Liabilities		
(174)	Unpaid Benefits	18	(210)
(546)	Other Current Liabilities	18	(1,029)
6,048	**Net Current Assets / (Liabilities)**		**13,136**
1,332,469	**Net Assets of the Scheme available to fund Benefits at the Period End**		**1,238,411**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2020. The actuarial present value of promised retirement benefits is disclosed in note 17.

Note 1 – 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 2019/20 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: which are Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund. The scheduled bodies of the Fund.
- 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.

There were 54 active employer organisations within the Fund as at 31 March 2020 (53 as at 31 March 2019). The following table summarises the composition of the registered membership of the Fund as at 31 March 2020.

Membership	Administering Authority		Admitted Bodies		Scheduled Bodies	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Employees contributing into Fund	6,775	6,545	353	341	1,959	1,979
Pensioners / Dependents	6,561	6,775	206	234	257	332
Former Members entitled to Deferred Benefits	7,895	8,027	293	296	985	1,249
Totals	21,231	21,347	852	871	3,201	3,560

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 2020. 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 2019 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 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the "Code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts 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 Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 17 of these accounts. The most recent actuarial valuation was carried out 31 March 2019 and determines the contribution rates for the next three years from 1 April 2020 with an aim to maintain the solvency of the fund. Therefore, these accounts have been produced on a going concern basis.

Many values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

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.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

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 in accordance with the terms of the transfer agreement.

Investment Income

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

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.

Where an investment manager's fee invoice has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

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 2020.
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 2020.
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 bid-price.
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 2019 to 31 March 2020).
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 2019, reflecting the nature of valuing those investments. The cash flows are adjusted up to 31 March 2020 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 2020 at a value of £2.49m 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- Global standards 2017 and relevant UK supplement. 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 2020.

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 Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

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

There are currently two additional voluntary contribution (AVC) schemes for the members of the Royal Borough of Greenwich Pension Fund. 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 2016. 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.

There are a number of uncertainties regarding the scheme benefits and hence liabilities. Information is provided below on the 2 most prominent; the guaranteed minimum pension (GMP) equalisation and the impact of the McCloud & Sargeant judgements.

GMP Equalisation

On 22nd January 2018, the outcome to the 'Indexation and equalisation of GMP in public service pension scheme' consultation was published by the Government. This confirmed that public service pension schemes would need to extend the requirement to fully price protect the GMP element of the individuals public service pension to those individuals reaching State Pension Age before 06 April 2021.

Our actuaries' valuation assumption for GMP is that the Fund will pay limited increases for members that have reached state pension age by 06 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, they have assumed that the Fund will be required to pay the entire inflationary increase.

McCloud & Sargeant Judgements

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members in both the Judges Pension Scheme (McCloud) and the Firefighters Pension Scheme (Sargeant) amounted to unlawful discrimination. As a result, the Government announced that the judgements would apply to all public-sector pension schemes, including the LGPS. The Government Actuaries Department (GAD) was then asked to carry out an analysis on the possible impact of the judgement on LGPS labilities.

To allow for these judgements, our actuary used the analysis provided by GAD and has assumed a salary increase of 1.5% above CPI in addition to a promotional scale. They also allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

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 £38.1m. A 0.1% decrease in assumed earnings would decrease the pension liability by £3m and a 1-year increase in assumed life expectancy would increase the Fund liability by £92.3m.
Property, Private Equity & diversified alternative (excluding pooled property)	The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, level 3 asset valuation risk may have increased level of uncertainty and the estimated valuations may be misstated. There is an extremely wide range of possible outcomes, resulting in a particularly high degree of uncertainty about the ultimate trajectory of the pandemic and the path and time needed to return to a “steady state” See note 14 for further detail	The total level 3 investments within the financial statements (excluding pooled property) is £115,811m Having analysed historical data and current COVID -19 impact and consulted with the Funds’ performance management advisors, there is a risk that the actual values are lower than was estimated at year-end. This could result in a fall of valuations, estimated between 2.6-5.2%, which could see about a fall of £5.972. The effect of variations in the factors supporting the valuation is highlighted in note 14.

Pooled Property (CBRE)	There are uncertainties in the financial markets caused by the current Coronavirus pandemic. Market activity is being impacted in all sectors and, as at the valuation date, it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value. Due to these uncertainties, there is a risk that the estimated values may be under or overstated. The current response to COVID-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.	The total Pooled Property Funds are £136.6m. Having engaged with the fund managers the predicted outcome of COVID-19 on these estimated valuations, there is a risk that the actual values are lower than was estimated at year-end , this could result in a fall of valuations, estimated between 0-2.6% of the reported value, which is between £0-£3.55m of the above.

Estimation Uncertainty – COVID-19

As per standard private markets practise, the Level 3 assets 31st March valuations are based on the 31st December's valuations rolled forward with cashflows from the intervening period, therefore do not take fully into account the impact of the measures taken to control the COVID-19 pandemic and the associated potential impacts on the investment valuations. The Pooled property funds leave valuers with an unprecedented set of circumstances on which to base a judgement. Due to these factors it is considered that there is a material uncertainty attached to the valuations for these assets (see above for further details). Further detail on the estimation uncertainties for Property, Private Equity & diversified alternative can be found in the table above.

This may have an impact on these valuations post year-end, however, due to the time lag in information, this was not available when the accounts were prepared. The Fund has liaised with the managers for these assets and based on a best estimate basis (which itself is difficult to prove the accuracy of) the valuations for the aforementioned assets could be overvalued in the region of £0m-£9.53m, which at most would affect the Fund's year end valuation by 0.77%

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 2019/20 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:

2018/19 £000	By Category	2019/20 £000
(13,507)	Employee's Contributions	(13,995)
(13,507)	**Total Employees' Contributions**	**(13,995)**
	Employer's Contributions:	
(29,022)	Normal Contributions	(30,416)
(6,859)	Deficit Recovery Contributions	(7,160)
(145)	Augmentation Contributions	(154)
(36,026)	**Total Employers' Contributions**	**(37,730)**
(49,533)		**(51,725)**

2018/19 £000	By Authority	2019/20 £000
(39,426)	Administering Authority	(41,388)
(7,154)	Scheduled Bodies	(7,483)
(2,953)	Admitted Bodies	(2,854)
(49,533)		**(51,725)**

Note 7 - Transfers in from Other Pension Funds

2018/19 £000	Transfers in from other Pension Funds	2019/20 £000
(2,318)	Individual Transfers	**(3,470)**

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.

2018/19 £000	Benefits	2019/20 £000
	Pensions	
42,451	Administering Authority	43,874
858	Admitted Bodies	1,115
759	Scheduled Bodies	1,024
44,068	**Total Pensions Payable**	**46,013**
	Lump Sums	
7,895	Administering Authority	8,382

409	Admitted Bodies	523
577	Scheduled Bodies	957
8,881	**Total Lump Sums and Commutation**	**9,862**
	Death Benefits:	
1,639	Administering Authority	1,423
32	Admitted Bodies	56
170	Scheduled Bodies	144
1,841	**Total Death Benefits**	**1,623**
54,790	**Total Benefits Payable**	**57,498**

Note 9 - Payments to and on Account of Leavers

2018/19 £000	Payments to and on Account Of Leavers	2019/20 £000
172	Refunds to Members leaving Service	214
4	Payments for Members joining State Scheme	7
4,018	Individual Transfers	3,505
4,194	**Total Payments to and on Account of Leavers**	**3,726**

Note 10a – Management Expenses

2018/19 £000	Management Expenses	2019/20 £000
915	Administration Expenses	1,133
129	Oversight and Governance	216
5,041	Investment management Expenses	6,427
6,085	**Total Administration Expenses**	**7,776**

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

2018/19 £000	Management Expenses	2019/20 £000
4,584	Management Expenses	4,785
434	Performance Fees	1,597
16	Custody Fees	45
7	Transaction Costs	0
5,041	**Total Management Expenses**	**6,427**

Note 11 - Investment Income

2018/19 £000	Investment Income	2019/20 £000
(115)	Rental Income from Property	(115)
(18)	Dividends from Equities	(127)
(42)	Dividend from Unit Trusts Income from Pooled Investment Vehicles:	(18)
(5,359)	Property Unit Trusts	(7,388)
(39)	Withholding Tax Reclaimed	(4)
(33)	Interest	(56)
(110)	Other Income	0
(5,716)	**Total Investment Income**	**(7,708)**

Note 12 - External Audit Costs

2018/19 £000		2019/20 £000
16	Payable in respect of external audit*	25
0	PSAA Refund	(2)
16	**Total External Audit Costs**	**23**

£25k was paid to the external auditors of the Pension Fund, Grant Thornton UK LLP (16k in 2018/19).

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
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 2020 was as follows:

	2018/19 Market Value £000	2018/19 Market Value %	2019/20 Market Value £000	2019/20 Market Value %
Blackrock	583,013	43	501,003	40
CBRE Global Investors	144,717	11	143,601	12
Fidelity	127,640	10	135,566	11
Fidelity GMAC	106,542	8	99,403	8
LGT Capital Partners	2,351	0	36	0
Royal Borough of Greenwich	8,784	1	16,203	1
Wilshire	6,247	0	4,863	0
London CIV	150	0	150	0
Partners Group	114,027	9	107,893	9
Fidelity GEME	117,446	9	105,746	9
Invesco	121,552	9	123,947	10
Total	**1,332,469**	**100**	**1,238,411**	**100**

The change in market value of the Fund during the year is represented as follows:

Manager	Market Value 31 March 2019	Purchases	Sales	Change in Market Value Of Investments	Change in Working Capital	Market Value 31-Mar 2020
	£000	£000	£000	£000	£000	£000
Blackrock	583,013	43	(11,125)	(70,928)	0	501,003
CBRE Global Investors	144,717	22,336	(15,204)	(8,440)	192	143,601
Fidelity AGG	127,640	(185)[a]	0	8,083	28	135,566
LGT[b]	2,351	(11)[a]	(1,910)	(394)	0	36
Royal Borough of Greenwich	8,784	0	49	247	7,123	16,203
Wilshire[b]	6,247	0	(2,679)	1,295	0	4,863
Fidelity GMAC	106,542	(302)[a]	0	(6,831)	(6)	99,403
London CIV	150	0	0	0	0	150
Partners Group	114,027	0	(3,745)	(2,397)	8	107,893
Fidelity GEME	117,446	(730)[a]	0	(10,983)	13	105,746
Invesco	121,552	0	0	2,387	8	123,947
Total	**1,332,469**	**21,151**	**(34,614)**	**(87,961)**	**7,366**	**1,238,411**

The prior year comparator is as follows:

Manager	Market Value 31 March 2018 £000	Purchases £000	Sales £000	Change in Market Value Of Investments £000	Change in Working Capital £000	Market Value 31-Mar 2019 £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**

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:

2018/19 £000	Change Market Value	2019/20 £000
1,275,330	Opening Market Value	1,332,469
(7,502)	Net Revenue Cash in / (out) flow	(6,097)
2,888	Realised profit / (loss)	5,939
61,753	Unrealised profit / (loss)	(93,900)
1,332,469	**Closing Market Value**	**1,238,411**

The value of quoted and unquoted securities is broken down as follows:

2018/19 £000	**Change Market Value**	**2019/20 £000**
0	Quoted	3
	Unquoted	
8,598	Private Equity	4,899
1,311,495	Other	1,213,764
12,376	Working Capital	19,745
1,332,469	**Total**	**1,238,411**

Included in the total amount classified as "unquoted – other" is £842m, relating to investment vehicles where the underlying investments are themselves quoted (£935m in 2018/19).

The following table analyses the investment assets between UK and overseas:

2018/19 £000		**2019/20 £000**
761,855	UK	692,737
558,238	Non UK	525,929
12,376	Working capital	19,745
1,332,469	**Total**	**1,238,411**

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	Manager	2019/20 £000	2019/20 %
Aquila Life MGM World EX UK Equity	Blackrock	214,127	17%
Blackrock ISHARES UK Equity	Blackrock	164,406	13%
Fidelity UK Aggregate	Fidelity	135,613	11%
Invesco Perpetual Mutual Fund	Invesco	124,139	10%
Aquila Life	Blackrock	122,302	10%
Partners IC RBG LTD	Partners	108,422	9%
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	105,902	9%
Fidelity Qualifying Investor	Fidelity	99,479	8%

The prior year comparator is 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%

Stock Lending / Derivatives

The Fund has a policy of not entering into stock lending arrangements - there were no stock lending arrangements in place during 2019/20 or 2018/19. The following investment products are classed as derivatives and may be used by the Fund managers (none held on 31 March 2020):

- 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:

2018/19 £000		**2019/20 £000**
2,200	Opening balance	2,200
0	Net increase in market value	290
2,200	**Closing balance**	**2,490**

2018/19 £000		**2019/20 £000**
115	Within one year	115
460	Between one and five years	460
575	**Total future lease payments due under existing contracts**	**575**

Note 14 - Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2019				31 March 2020		
Fair Value through Profit and Loss	Assets at Amortised Cost	Financial Liabilities at Amortised Cost		Fair Value through Profit and Loss	Assets at Amortised Cost	Financial Liabilities at Amortised Cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
0			Equities	3		
			Pooled Investment Vehicles:			
234,327			Fixed Interest OEIC	235,092		
137,865			Property Unit Trusts	136,556		
493,174			Unitised Insurance Policies	460,567		
329,364			Other Unit Trusts	270,636		
8,598			Private Equity	4,900		
114,564			Diversified Alternative	108,422		
	118		Cash Deposits		144	
	7,189		Cash Equivalents		7,628	
	162		Other investment balances		46	
	413		Contributions Due		575	
	119		Other Current Assets		204	
	6,236		Cash Balances		13,350	
1,317,892	**14,237**	**0**	**Total Financial Assets**	**1,216,176**	**21,947**	**0**
			Financial Liabilities			
		(1,140)	Other Investment Balances			(1,209)
		(174)	Unpaid Benefits			(210)
		(75)	Other Current Liabilities			(559)
		(1,389)	**Total Financial Liabilities**			**(1,978)**
1,317,892	**14,237**	**(1,389)**	**Net Financial Assets**	**1,216,176**	**21,947**	**(1,978)**

The net gains and losses on financial instruments are as follows:

2018/19 £000	Gains and Losses	2019/20 £000
	Financial Assets	
64,642	Fair Value Through Profit and Loss	(87,671)
33	Loans and Receivables	56
	Financial Liabilities	
0	Fair Value Through Profit and Loss	0
64,675	**Total**	**(87,615)**

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.

Asset	**Market Value at 31/03/2019**	**Transfer into Level 3**	**Transfer out of Level 3**	**Purchases at cost**	**Sales**	**Unrealised Gain/(Loss)**	**Realised Gains/(Loss)**	**Market Value At 31/03/2020**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
UT - Property UK	92,033	0	0	6,764	0	(8,519)	0	90,278
Freehold Property	2,200	0	0	0	0	290	0	2,490
Diversified Alternative	114,564	0	0	0	(3,745)	(2,397)	0	108,422
Private Equity	8,598	0	0	(11)	(4,589)	(2,158)	3,059	4,899
Total	**217,395**	**0**	**0**	**6,753**	**(8,334)**	**(12,784)**	**3,059**	**206,089**

The prior year comparator is as follows:

Asset	**Market Value at 31/03/2018**	**Transfer into Level 3**	**Transfer out of Level 3**	**Purchases at cost**	**Sales**	**Unrealised Gain/(Loss)**	**Realised Gains/(Loss)**	**Market Value At 31/03/2019**
	£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**

Sensitivity of assets value at level 3

Having analysed historical data and current market trends, and consulted with the Funds' performance management 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 2020.

Asset	Value as at 31 March 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UT - Property UK	90,278	2.6	92,599	87,958
Freehold Property	2,490	2.6	2,554	2,426
Private Equity	4,899	5.2	5,155	4,644
Diversified Alternative	108,422	5.2	114,074	102,769
Total Assets available to Pay Benefits	**206,089**		**214,382**	**197,797**

The prior year comparator is as follows:

Asset	Value as at 31 March 2019 £000	Percentage Change %	Value on Increase £000	Value on Decrease £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 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 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through profit and loss	3	1,012,573	203,600	1,216,176
Non-Financial assets at Fair Value through profit and loss	0		2,490	2,490
	3	**1,012,573**	**206,090**	**1,218,666**

The prior year comparator is as follows:

Values as at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
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**

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 contacts 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	13.00%
Overseas Equities	13.00%
Bonds	5.60%
Property	2.60%
Cash	3.00%
Private Equity	5.20%
Diversified Alternative	5.20%
Multi Asset	3.80%

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 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	21,300	3.00	21,939	20,661
UK Equities	164,406	13.00	185,732	143,080
Overseas Equities	442,334	13.00	499,713	384,955
Bonds	235,092	5.60	248,310	221,874
Property	139,046	2.60	142,620	135,472
Private Equity	4,900	5.20	5,155	4,645
Diversified Alternative	108,422	5.20	114,074	102,770
Multi Asset	124,139	3.80	128,809	119,469
Other Investment Balances	(1,013)	0	(1,013)	(1,013)
Total Assets available to Pay Benefits	**1,238,626**		**1,345,341**	**1,131,911**

The prior year comparator is 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**

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 2020**	**Change in Year in the Net Assets available to Pay Benefits**	
		+ 25 bps	**-25 bps**
	£000	**£000**	**£000**
Cash Balances	13,350	13,383	13,316
Cash on Deposit	144	145	144
Cash Equivalents	7,628	7,647	7,609
Blackrock Institutional Series	178	178	177
Total Interest Rate Risk Assets	**21,300**	**21,353**	**21,246**

Asset	**Carrying Amount as at 31 March 2020**	**Change in Year in the Net Assets available to Pay Benefits**	
		+ 25 bps	**-25 bps**
	£000	**£000**	**£000**
Fidelity GMAC	99,479	98,534	100,424
Fidelity UK Aggregate Bond Fund	135,613	131,986	139,241
Total Interest Rate Risk Assets	**235,092**	**230,520**	**239,665**

The prior year comparator is as follows:

Asset	Carrying Amount as at 31 March 2019	Change in Year in the Net Assets available to Pay Benefits + 50 bps	-50 bps
	£000	£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	Change in Year in the Net Assets available to Pay Benefits + 50 bps	-50 bps
	£000	£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**

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 2020	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	4,900	7.9	5,285	4,514
Overseas Unitised Insurance Policies	415,124	7.1	444,753	385,495
Overseas Unit Trust Other	105,902	6.2	112,498	99,307
Overseas Equities	3	6.3	3	2
Cash held in Foreign Currencies	80	8.1	86	74
Total Currency Risk Assets	**526,009**		**562,625**	**489,392**

The prior year comparator is as follows:

Asset	Asset Value as at 31 March 2019	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	8,598	8.3	9,315	7,882
Overseas Unitised Insurance Policies	432,024	8.2	467,314	396,733
Overseas Unit Trust Other	117,615	8.8	127,933	107,298
Cash held in Foreign Currencies	4	8.6	5	4
Total Currency Risk Assets	**558,241**		**604,567**	**511,917**

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 0.40% 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 2020 was £13.4m (£6.2m at 31 March 2019). This was held as follows:

Counterparty Type	31 March 2019 £000	31 March 2020 £000
UK Banks	6,236	13,350

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 then liquid assets could be sold to provide additional cash. The fund defines liquid assets as assets that can be converted to cash within three months. As at 31 March 2020, the value of liquid assets represented 79% of the Fund (79% at 31 March 2019). Financial liabilities of £2.448m 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 latest triennial valuation was carried out as at 31 March 2019 (effective from 1 April 2020) by the funds actuary, Barnett Waddingham. The results were published in the 31 March 2019 actuarial valuation which is available on the Royal Borough of Greenwich website.

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 2019 review date was £1,332m (£1,052m in 2016) and results showed that assets represented 97% of the liabilities (91% in 2016). The Fund deficit arising from the valuation was £45m as at 31 March 2019 (£105m as at 31 March 2016), 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-19
	%
Future Service Total	16.6
Deficit Contribution	1.9
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
2020/21	18.50%	16.3% - 18.6%
2021/22	18.50%	16.3% - 18.6%
2022/23	18.50%	16.3% - 18.6%

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 2019 are 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 2019	**Assumed Returns % p.a.**
Investment Return	
Equities	6.7
Gilts	1.7
Bonds	2.6
Property	6.1

Financial Assumptions	**2019 % p.a.**	**2016 % p.a.**
Discount Rate	5	5.5
Short Term Pay Increases	n/a	CPI to 31 March 2020
Long Term Pay Increases	3.6	3.9
Consumer Price Inflation (CPI)	2.6	2.4
Pension Increases	2.6	2.4

The assumed life expectations from age 65 are as follows:

Demographic assumptions – Life expectancy from age 65	**31-Mar 2019**	**31-Mar 2020**
Retiring Today		
Males	21.6	20.8
Females	23.6	23.5
Retiring in 20 years		
Males	23.3	22.3
Females	25.4	25.1

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 2020, the values calculated for the funding valuation as at 31 March 2019 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 2019 £000**	**31-Mar 2020 £000**
Present Value of Funded Obligation		
Vested Obligation	(2,018,582)	(1,960,095)
Non-Vested Obligation	(55,372)	(28,879)
Total Present Value of Funded Obligation	(2,073,954)	(1,988,974)
Fair Value of Scheme Assets	1,332,469	1,238,411
Net Liability	**(741,485)**	**(750,563)**

The financial assumptions used to assess the total net liability as at 31 March 2020 are:

Financial Assumptions	**Mar-19**	**Mar-20**
	% p.a.	**% p.a.**
Discount Rate	2.4	2.4
Pay Increases	3.9	2.9
Pension Increases	2.4	1.9

Note 18 - Debtors and Creditors

The following material amounts were due to, or payable from, the Fund as at 31 March 2020:

2018/19 £000	Debtors	2019/20 £000
	Investment Debtors	
130	Tax Refunds Due	35
32	Dividends Due	11
162	**Total Investment Debtors**	**46**
	Member Debtors	
413	Contributions	575
119	Other	450
532	**Total Member Debtors**	**1,025**
694	**Total Debtors**	**1,071**
	Analysed By	
694	Other Entities and Individuals	825
0	Central Government Bodies	246
694	**Total Debtors**	**1,071**

2018/19 £000	Creditors	2019/20 £000
	Investment Creditors	
(1,127)	Management Fees	(1,079)
0	Purchase of Investments	0
(3)	Custody Fees	(41)
(10)	Other	(89)
(1,140)	**Total Investment Creditors**	**(1,209)**
	Member Creditors	
(174)	Benefits Unpaid	(210)
(546)	Other	(1,029)
(720)	**Total Member Creditors**	**(1,239)**
(1,860)	**Total Creditors**	**(2,448)**

	Analysed By	
(477)	Central Government Bodies	(470)
0	Local Authorities	(442)
(1,383)	Other entities and individuals	(1,536)
(1,860)	**Total Creditors**	**(2,448)**

Note 19 – Cash and Cash Equivalents

The cash balance can be further analysed as follows:

Cash	**2018/19 £000**	**2019/20 £000**
Royal Borough of Greenwich Pension Fund (UK Banks)	6,236	13,350
Royal Borough of Greenwich Pension Fund (Held at Custodian)*	5	8
CBRE Cash at Hand	96	64
State Street Global Markets	17	72
Total Cash	**6,354**	**13,494**

Cash Equivalents	**2018/19 £000**	**2019/20 £000**
Royal Borough of Greenwich Pension Fund	376	589
Blackrock	4	3
CBRE	6,809	7,036
Total Cash Equivalents	7,189	7,628

*'Others' renamed to 'Royal Borough of Greenwich Pension Fund (Held at Custodian)'.

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. During 2019-20 policies held with Equitable Life where transferred to Utmost Life and Pensions. 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 2020, are shown below:

2018/19 £000	AVC Contributions	2019/20 £000
54	AVC Contributions to Clerical Medical	54
0	AVC Contributions to Equitable Life	*0
54	**Total Contributions**	**54**

31 March 2019 £000	AVC Market Values	31 March 2020 £000
892	Clerical Medical Market Value	874
359	Utmost Life and Pensions Market Value	363
1,251	**Total Market Value**	**1,237**

*During 2019-20 AVC's previously held with Equitable Life transferred to Utmost Life and Pensions

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 £1.123m in 2019/20 (2018/19: £0.904m).

b) The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £30.233m to the Fund in 2019/20 (2018/19: £28.725m).
c) With respect to other Scheduled Bodies, an amount of £0.188m 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 2019/20, an administration fee of £0.149m was paid to this organisation.

Note 21b – Key Management Personnel

Key Management Personnel Remuneration

The Key Management personnel of the Fund are the 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:

2018/19 £000		2019/20 £000
80	Short-term benefits	90
36	Post-employment benefits	413
116		**503**

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 2020, the Fund had £1.882m of private equity commitments outstanding (31 March 2019: £1.892m). These are not required to be included in the Accounts.

Note 23 – Events after reporting period

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in all sectors by the efforts and restrictions being made to reduce the spread of the virus.

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets, like the possibility of a second wave. The short and long-term implications of the shut-down we had and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

For a pension scheme, a non-adjusting event could be the significant decline in the value of investments. As a result of Covid-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for COVID-19. However, to date, although there has been significant variation to individual fund values (both upwards and downwards), as at the end of September 2020 the investments are valued overall at a higher value than were at 31 March 2020 (in these financial statements). The value of investment assets as at 30th September 2020 (excluding debtors and creditors and cash at bank) was £1.378m The Fund will monitor for any additional impact.

Royal Borough of Greenwich Pension Fund
Funding Strategy Statement

Contents

Introduction

This is the Funding Strategy Statement for the Royal Borough of Greenwich Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes the Royal Borough of Greenwich's strategy, in its capacity as administering authority, for the funding of the Royal Borough of Greenwich Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

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

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is the Royal Borough of Greenwich Pension Fund. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales. Please note that if contributions are not paid within the set timescales, the employer may be fined and/or reported to the Pensions Regulator.
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

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

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

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

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. The results of the 2019 valuation are set out in the table below:

2019 valuation results	
Surplus (Deficit)	(£45m)
Funding level	97%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 16.6% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

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

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

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

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

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

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

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

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

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	5.0% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. It was noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

Further details of this can be found below in the Regulatory risks section.

The government has published a consultation *Amendments to the statutory underpin* on the proposed remedy to extend the transitional underpin protections to wider range of members. The consultation runs until 8 October 2020 with new legislation to be finalised thereafter.

As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than the impact of reducing the discount rate assumption by 0.1% and so has implicitly allowed for these costs within the valuation by increasing the prudence allowance by 0.1% p.a. within the discount rate.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found here.

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

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

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

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2019 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Academies	Past and future service pooling	All academies in the pool pay the same total contribution rate
Greenwich Leisure	Past and future service pooling	All employers in the pool pay the same total rate
Council	Past and future service pooling	All employers in the pool pay the same total rate

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

Forming/disbanding a funding pool

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

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

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate. The Fund has decided to break up the Admission Bodies pool as these employers become more diverse and instead pool a number of these employers with the Council and form a Greenwich Leisure pool as part of the 2019 valuation exercise.

Risk-sharing

There may be employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer. Further detail can be found in the Exit credit policy section.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to have a guarantor or put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority. If this form of security is not available for a new admission body the Administering Authority have discretion to allow, an alternative form of security if and only if this is satisfactory to the administering authority.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities. This determines any deficit attributable to the transferring members.

Note that if the new academy is more than fully funded at conversion date, based on the active cover approach, the academy will join the Academies pool fully funded but will not transfer any surplus to the pool.

On conversion to academy status, the new academy will join the Academies pool and will be allocated assets based on the funding level of the pool at the conversion date, allowing for any transferred deficit.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2019 valuation.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation. Further detail on the Fund's exit credit policy is outlined below.

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

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence may be included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

Exit credit policy

Under advice from MHCLG, administering authorities should set out their exit credit policy in their Funding Strategy Statement. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of “pass-through” arrangements. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.

- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.

- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Rates and Adjustments certificate only which will therefore exclude early retirement costs.

- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer’s cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Further details of this can be found in the Regulatory risks section below.

Bulk transfers

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

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis). Similarly, the Fund will not pay bulk transfers more than the asset share of the transferring employer in the Fund nor the value of the past service liabilities of the transferring members, based on the latest funding valuation, updated for market conditions at the transfer date. A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

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

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

Financial risks

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

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

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

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

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 3%.

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

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

The fund may consider, in cases of strong employers covenant for employers participating in the Council pool to not pay additional amounts to cover any strain costs arising from early retirements at the retirement date but instead allow for the additional liability at the next formal valuation and pay additional contributions to meet these strains as part of their secondary rate contributions. The Fund is comfortable with this approach due the strong covenant of the Council.

There is an ill-health allowance made within the calculation of the contribution rate paid by employers participating in the Fund. Where the ill-health experience is worse than assumed the employer will, all else being equal, need to pay higher contributions following the next formal valuation.

Maturity risk

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

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

The Fund is actively managing this risk and has carried out cash flow modelling and the analysis and results have been set out in a report to be considered by the Pension Committee. The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

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

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

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

McCloud/Sargeant judgements and cost cap

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

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

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

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. In July 2020 government published a consultation *Amendments to the statutory underpin,* proposing a remedy to extend the transitional protections to a wider range of members. The consultation closes on 8 October 2020 and the responses will be considered, with new legislation to be implemented in advance of the next triennial valuation as at 31 March 2020.

Alongside the publication of the consultation the government also announced the recommencement of the 2016 cost cap process, which will take into account the proposed remedy to extend transitional protections.

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

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

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and

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

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and a full outcome is now awaited. A partial outcome has been implemented in respect of exit credit, as detailed below. This FSS will be revisited once the full outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
    - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
    - Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. MHCLG issued a partial response to this part of the consultation on 27 February 2020 and an amendment to the Regulations comes into force on 20 March 2020, although have effect from 14 May 2018. The amendment requires funds to consider the exiting employer's exposure to risk in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations) and to have a policy for exit credits in their FSS which has been included earlier in this version.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

In addition, if data provided by the employer is incomplete or inaccurate then the fund actuary will need to estimate the data for the purposes of the valuation. These estimates will err on the side of caution and therefore if employers provide incomplete/inaccurate data they may pay higher contributions than otherwise.

It is therefore imperative that employers provide complete and accurate data in a timely manner, as requested by the Administering Authority.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

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.

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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

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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	**Format**				**Frequency**	**Distribution**
Communication Material	**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			✓			

Deferred Members	**Format**				**Frequency**	**Distribution**
Communication Material	**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			✓			

Pensioners & Dependants	Format				Frequency	Distribution
Communication Material	**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			✓			

Prospective Members	**Format**				**Frequency**	**Distribution**
Communication Material	**Paper**	**Email**	**Web**	**In Person**		
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			✓			

Scheme Employers & Prospective Employers

Scheme Employers	Format				Frequency	Distribution
Communication Material	**Paper**	**Email**	**Web**	**In Person**		
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			✓			

Prospective Employers	Format				Frequency	Distribution
Communication Material	**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			✓			

Trade Unions/Other Scheme Member Representatives

Trade Unions/Other Scheme Member Representatives	Format				Frequency	Distribution
Communication Material	**Paper**	**Email**	**Web**	**In Person**		
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

March 2019