WANDSWORTH BOROUGH COUNCIL PENSION FUND

PENSION FUND ANNUAL REPORT 2017/18

Introduction

Welcome to the second annual report of the Wandsworth Council Pension Fund incorporating Richmond Council's Pension Fund.

The content and detail within the report is largely prescribed by legislation under the Local Government Pension Scheme Regulations 2013. The report complies with those regulations. The publication of this report gives the Council the opportunity to demonstrate the standard of governance and supervision of the fund. It also brings together a number of separate reporting strands into one comprehensive document that enables both the public and employees to see how the fund is managed and how it is performing. It is in the interest of both employees and the public that the fund is well managed and shows high returns to provide value for money for both employer and employee.

The report has been structured to reflect legislative requirements and guidance issued by the Ministry of Housing, Communities and Local Government and the data therein is accurate as at 31 March 2018.

Following last year's high absolute returns the major asset classes performed more in line with long-term expectations in the period 1 April 2017 to 31 March 2018, with global aggregate (developed market) equities returning around 3% (in sterling terms) and UK equities around half of that. Returns across the major investment grade fixed interest categories were similarly moderate (low single figures), with the best performing discrete fund asset class being UK property, returning around 10%. In overall terms, 2017/18 could be viewed as a year of consolidation (albeit with some significant equity market volatility in-year).

Further information about the Local Government Pension Scheme can be found at http://www.wandsworth.gov.uk/pensions

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

The Shared Pension Administration Service continues to provide the administration function for Camden, Merton and Waltham Forest Funds increasing resilience and savings to all boroughs in the years to come.

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

Mark Maidment
Director of Resources

Councillor Guy Senior
Chairman of Pensions Committee

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SECTION 1 - MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

Under Regulation 57 of the Local Government Pension Scheme Regulations 2013, the Council is required to provide a Management and Financial Performance Report. Guidance from Communities and Local Government (CLG) states that the report contains details of scheme management and advisors including contact details. The following details are for the year to 31 March 2018.

Fund Management and Advisers

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

Membership of the Pensions Committee during the year was follows:

Pensions Committee (All members have full voting rights)

Councillor Maurice Heaster – Chairman
Councillor Guy Senior – Member [Chairman from May 2018]
Councillor James Daley – Member (Opposition Speaker)
Councillor Peter Carpenter – Member
Councillor Ian Hart – Member
Councillor Rory O'Broin – Member
Councillor Geoff Acton* – Deputy Chairman
Councillor Gareth Evans* – Member
Councillor Thomas O'Malley* - Member

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

Voting records and attendance records for each meeting of the Pensions Committee are available at https://democracy.wandsworth.gov.uk/ieListMeetings.aspx?CId=502&Year=0

The Director of Resources and Assistant Director of Resources (Financial Services) provides access to a Knowledge and Skills toolkit for the new members of the Committee and makes available one to one training covering the Pensions Committee remit. The Committee members also received material from Mercer that expanded investment knowledge in Private Debt and Hedging Strategies.

Investment Managers

Manager	Mandate
River & Mercantile	Managed UK Equities
Baillie Gifford (London LGPS CIV)	Managed Global Equities and Diversified Growth
Longview (London LGPS CIV) *	Managed Global Equities
Allianz (London LGPS CIV)	Managed Global Equities
Allianz (formerly Rogge)	Managed Enhanced Bonds
UBS	Passive Multi Asset
CQS	Multi Asset Credit
Oakhill	Multi Asset Credit
Rreef **	Managed Property Unit Trust
CCLA/LAMIT	Property
Schroders	Property
Janus Henderson	Multi Asset and Property***
L&G	Passive Multi Asset and Property

*** Longview joined the London LGPS CIV on 17th July 2017**
**** accessed via Aberdeen Asset Management**
***** property managed by TH Real Estate (accessed via Janus Henderson)**

Investment Advisor
Mercer

Custodian
Northern Trust

AVC Providers
Prudential, Clerical Medical, Equitable Life (closed to new contributors)

Fund Actuary
Barnett Waddingham

Legal Advisors
South London Legal Partnership

Auditor
Ernst & Young LLP

Bankers
National Westminster Bank Plc

Wandsworth Council

Responsible Financial Officer	Mark Maidment
Assistant Director of Resources (Financial Services)	Paul Guilliotti
Scheme Administration - Head of Pensions Shared Service	Colette Hollands
Scheme Investments and Accounting - Pension Fund Controller	Malcolm Smith

In the first instance contact to any of the above should be made via Malcolm Smith, Pension Fund Controller by telephoning (020) 8871 8887 or by email to m.smith@richmond.gov.uk

Risk Management

The roles of the external fund managers and custodian who are responsible for the management and safekeeping respectively of the Pension Fund assets are clearly set out in the Investment Strategy Statement (ISS) (Section 8) with commentary on how investment risk is diversified and managed. The roles of the fund investment advisor and the fund actuary are also clearly specified in this document. All of the above have legally binding contracts and are subject to regular review and competitive tendering according to legislation and the Council's procurement rules.

The Funding Strategy Statement (FSS) (Section 7) explains the Fund's key risks and how they are identified, mitigated, managed and reviewed.

The Council's overall strategy on risk management is contained within Committee Paper 18-125 approved by the Audit Committee on 19 April 2018. The Council maintains the Pension Fund to meet the pension guarantee and fund the pension benefits as defined by legislation passed by Parliament. Whilst there is no integrated section of this report dedicated to the Pension Fund, the whole report underpins the Council's approach to Pension Fund Risk Management and risk and governance structure is integrated within.

Richmond and Wandsworth Councils are the primary employers in the Pension Fund and risks of late contributions are therefore mainly with schools who are treated by the Pension Regulations as part of the Council for pension purposes and a small number of admitted bodies. Contributions from external payroll providers are reconciled monthly against contributions expected and cash received and this is audited externally annually.

The investment managers and the custodian are audited separately at different times by audit firms of whom the Council has no control over. The Council receives control reports from investment managers and the custodian that provide some level of assurance from their independent accountants.

Investment advice is received from Mercer. Officers and Mercer meet and review fund manager performance and activity at least quarterly. The Pensions Committee meet at least quarterly and details of these meetings are provided in Section 5.

Financial Performance

The Financial Performance of the Pension Fund is reported in this section. It comprises income and expenditure against budget and details of employee and employer contributions.

Income and Expenditure against Budget

An analysis of additions and withdrawals from dealing with Fund members is provided below. The table compares movements with 2016/17 and with forecasts giving reasons for any significant variances from forecast by cashflow heading.

Budgets and forecasts are not used for changes in market value or for dividend yields on shares or interest receipts from bonds as these are outside the control of the Committee and can be volatile. The income received is re-invested in the fund by managers together with any asset sale proceeds. Details of the assets of the fund are available in Section 6.

(NB In the table below figures for 2017/18 onwards fully reflect the incorporation of the former LB Richmond pension scheme; in 2016/17 this is reflected from 1 October 2016 only.)

	2016/17	2017/18	2017/18	2017/18	
Dealings with Scheme Members	**Actual**	**Budget**	**Actual**	**Variance from Forecast**	
	£'000	**£'000**	**£'000**	**%**	**£'000**
Contributions receivable					
- Members	11,175	11,965	14,304	20%	2,339
- Employers	35,253	37,600	44,647	19%	7,047
- Transfers in	1,745	2,070	7,661	270%	5,591
TOTAL INCOME	48,173	51,635	66,612	29%	14,977
Benefits/Expenses					
- Pensions	-48,612	-61,117	-60,640	1%	477
- Retirement lump sums	-10,557	-11,091	-11,455	-3%	-364
- Death lump sums	-1,072	-1,310	-2,487	-90%	-1,177
- Transfers out	-4,732	-5,317	-6,196	-17%	-879
TOTAL EXPENDITURE	-64,973	-78,835	-80,778	-3%	-1,943
Balance	-16,800	-27,200	-14,166	48%	13,034
Transfer of LB Richmond Fund	675,048	-	-	-	-
Net withdrawal / addition from Dealings with Members per Accounts	658,248	-27,200	-14,166		

The table shows that in 2017/18 (as in 2016/17) there were net withdrawals from dealing with members (before the exceptional item of the transferred value of the LB Richmond fund in the most recent year is taken into account). This reflects the fact that he combined fund is now structurally “cash flow negative” due to the increasing maturity of its liabilities. The overall deficit in 2017/18 is lower than was originally estimated, however, principally due to: -

- a lower than estimated reduction in the level of pension contributions;
- a higher then estimated level of transfers in.

The largest proportional variances to estimate are shown in the categories where accurate forecasting in the most difficult i.e. transfers in / out and lump sum payments (in the case of the latter due to optionality in converting pension to lump sum and member-specific factor in general).

Investment management expenses are shown in the table below along with a forecast of the Pension Fund budget for the next 3 years agreed by the Pensions Committee in Paper No. 18-103 on 8 March 2018.

Pension Fund Budget	**2018-19**	**2019-20**	**2020-21**
	£'000	£'000	£'000
Contributions Receivable			
Members	14,200	14,500	14,800
Employers Normal	42,600	43,500	44,400
Employers Additional	1,500	1,500	1,500
Transfers In	2,100	2,100	2,100
Benefits Payable			
Pensions	-62,400	-65,500	-68,800
Retirement Benefit Lump Sums	-11,000	-11,600	-12,200
Death Benefits	-1,300	-1,300	-1,300
Transfers Out	-5,300	-5,300	-5,300
Establishment	-900	-900	-900
Net (Withdrawals) from Dealing with Members	**-20,500**	**-23,000**	**-25,700**
Returns on Investments			
Investment Income	25,700	27,000	28,400
Investment Management Expenses	-5,700	-6,000	-6,300
Custody	-30	-30	-30
Consultancy / Other	-200	-200	-200
Total	**-730**	**-2,230**	**-3,830**

Contribution Amounts due to the Fund from Employers and Employees

The following table provides details of the total amounts due for the period April 2017 to March 2018 for employers, basic and additional members' contributions.

Employer	Establishment	Contributions Received Employee's £000's	Employer's £000's	Total £000's
Wandsworth Council				
(In-House Payroll)	Wandsworth Council	2051	6152	8203
	SSA	7120	17996	25116
(Schools with External	Albemarle School	32	93	125
Payroll Providers)	Honeywell Infant School	20	65	85
	Honeywell Junior School	17	53	70
From 01/09/2017	Chesterton School	8	26	34
From 01/07/2017	Wix School	2	4	6
Scheduled Bodies				
Academy 01/08/2018	Alton Academy	20	56	76
	Ashcroft Technology College	70	212	282
	Belleville School	61	188	249
	Bolingbroke ARK	40	125	165
	Burntwood Academy	79	232	311
Academy 01/01/2018	Chesterton Academy	6	17	23
	Chestnut Grove	82	249	331
	Floreat Academy	20	56	76
	Graveney School	125	346	471
	Griffin School	10	32	42
	Harris Academy Battersea	30	88	118
	Mosaic SLJPS	4	14	18
	Nightingale School	34	94	128
	Oasis Putney	5	17	22
	Putney ARK	53	160	213
	Southfields Academy	110	326	436
	St Cecilia's C of E School	48	140	188
	Tooting Primary School	19	60	79
	Westbridge Primary School	10	33	43
Academy 01/08/2017	Belleville Wix Academy	13	40	53
Admitted Bodies				
	CCTV - NSL Ltd	5	13	18
	CT Plus	43	138	181
	Enable	176	432	608
	Greenwich Leisure Ltd	90	271	361
	One Trust	82	271	353
Total Wandsworth		10485	27999	38484

Employer	Establishment	Contributions Received		
		Employee's	**Employer's**	**Total**
		£000's	**£000's**	**£000's**
Richmond Council[1]				
(In-House Payroll)	Richmond Council	1365	5024	6389
(Schools with External Payroll Providers)	Barnes School	33	135	168
	Christs School	46	182	228
	Collis School	41	173	214
	Hampton Wick School	21	88	109
	Kew Riverside School	10	43	53
	Orleans Infants	23	99	122
	Queens School	20	84	104
	St Edmunds School	23	97	120
	St James School	24	104	128
	St John the Baptist School	18	76	94
	St Marys & St Peters School	29	124	153
	Stanley School	53	224	277
	Vineyard School	32	135	167
Scheduled Bodies				
	Achieving for Children	898	2106	3004
	Clarendon (Auriga)	47	179	226
	Greycourt	80	223	303
	Hampton Academy	43	130	173
Academy 01/09/2017	Nelson Academy	13	48	61
	Orleans Park	64	240	304
	Richmond Upon Thames College	196	874	1070
Academy 01/09/2017	Richmond Upon Thames School	3	8	11
	Richmond Park Academy	49	163	212
	South West Middlesex Crematorium Board	21	77	98
	Strathmore (Auriga)	40	142	182
	St Marys Hampton School	7	20	27
	Teddington School	58	179	237
	Thomson House School	15	38	53
	Turing House School	9	33	42
	Twickenham Primary (Academy)	5	22	27
	Twickenham Academy	44	140	184
	Waldegrave	76	261	337

Admitted Bodies				
	Balance Support CIC	1	3	4
	Hampton School	54	177	231
	Hillcroft College (Prev. RACC)	82	359	441
	Institute of Revenues, Rating and Valuation	30	141	171
	Lifeways	13	34	47
	Mears	1	5	6
	Medacs Group	1	4	5
Ceased 31/08/2017	My Time Active	1	2	3
	Notting Hill Genesis	1	35	36
Ceased 31/08/2017	Nviro	0	1	1
Ceased	Richmond Housing Partnership	0	69	69
	Richmond Music Trust	15	47	62
	St Marys University	244	930	1174
	Support for Living	33	88	121
Ceased 30/04/2017	Total Facilities Management	3	12	15
	Veolia	42	90	132
Total Richmond		3927	13468	17395
Final Total		14412	41467	55879

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

The Director of Resources is authorised to decide whether to levy interest in any case where contributions are received late. Four employers submitted contributions late once during the year, three employers submitted contributions late twice during the year and three further employers submitted contributions late six, seven and eleven times respectively during the year. These instances have been recorded on the Breaches Register and monitored for further occurrences. All employers who were not compliant have received a letter confirming the issue and informing them that future breaches may be escalated. Included in the above are contributions of £2,744,603 in respect of early retirements. Further detail is available in Section 4.

Management of Admitted Bodies and Funding arrangements

There were five new academies that commenced and three admission bodies that ceased during the reporting year. The table below gives a breakdown of the type of employer within the Fund and whether the employer is active (employs contributing active members) or ceased (no active members but with some outstanding pension liability).

	Active	Ceased	Total
Scheduled body	39	0	39
Admitted body	17	33	50
Total	56	33	89

Pension Overpayments and National Fraud Initiative Results

Invoices raised for overpaid pensions for the last three years and payments written off are given below. The non-recovery limit is £100 and this was set in respect of any overpaid pensions from January 2017 onwards. The 2016/17 & 2017/18 figures are the totals for both the Wandsworth and Richmond Councils pensioner payrolls.

Year	**2015/16***	**2016/17**	**2017/18**
Invoices raised	£37,148	£44,885	£47,641
Written-off	£157	£1,066	£2,783

*Pensioner payroll for Wandsworth Council only (pre- merge of the pension funds of Richmond and Wandsworth).

Details of the last two National Fraud Initiatives (2014 and 2016) are at Appendix 1.

Administrative Costs

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

The pension fund net asset statement, fund account and notes to the accounts are audited by Ernst & Young (EY). EY's full report is contained in the Council's statement of accounts and a report to the Council on the Pension Fund is also contained in this report. The auditor is Government appointed.

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

Year	Pension Staff & Premises Costs £000's	Investments Section Staff & Premises Costs £000's	Finance Directorate IT & Democracy £000's	Audit Fee £000's	Total Charge £000's
2016/17	428	128	63	21	640
2017/18	488	107	64	28	687

The figures shown above for the Investment Section reflect the full cost of the Investment Section. The details of the full costs of the Pensions Service for 2017/18 including those costs which are not chargeable to the Pensions Fund are shown below.

2017/18	Original Budget	Revised Budget	Actual	Variance
	£'s	£'s	£'s	£'s
Staffing Costs	1,228,900	1,241,000	1,434,396	193,396
Central and Technical Support	375,600	375,600	381,378	5,778
Other Supplies and Services	201,400	202,700	190,064	-12,636
Costs recovered from Shared Service partners	-936,300	-936,300	-1,009,004	-72,704
Other external income	-	-110,000	-17,250	92,750
Net expenditure	869,600	773,000	979,585	206,585
Charge to Council - Employer Duties	381,251	284,651	491,236	206,585
Charge to Pension Fund	488,349	488,349	488,349	-

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

Further detail of the actual expenditure for 2017/18 is given in the table below.

2017/18 Expenditure	**Description**	**Totals £'s**
Staffing	Salaries	1,133,678
	National Insurance	112,972
	Employer Pension	180,580
	Training/Advertising	7,167
Central & Technical Support	Central Services Recharge	188,154
	Payroll	193,224
Other Supplies & Services	Printing/Stationery	15,539
	Postage	11,660
	IT & Telecoms	52,841
	Legal & Contracts	38,790
	General (fares/equipment)	71,235
	Total Expenditure	**2,005,839**

Management Expenses

The merged Pension Fund paid £8.036 million in management expenses in 2017/18. This was an increase of £1.421 million (21%) compared with the amount for the fund in 2016/17 (when the reported figures included costs incurred on the ex-Richmond fund between 1st October 2016 and 31st March 2017.

Performance fees (not included in the managers' individual fees estimates) were paid in 17/18 to:
Janus Henderson (£166,000)
Longview* (£619,000)

*for period prior to Longview's transfer to LCIV in July 2017

Type of Fee	2016/17 Actual	2017/18 Budget	2017/18 Actual	2017/18 Variance compared to budget	
	£000's	£000's	£000's	%	£000's
Investment Management Expenses					
River and Mercantile	240	279	279		
Allianz (LGPS CIV)	482	563	646	-15%	-83
Longview	1,727	1,416	1,660	-17%	-244
Baillie Gifford (LGPS CIV)*	768	939	923	2%	16
Allianz (ex-Rogge)	199	235	182	23%	53
UBSGAM Passive	53	42	69	-64%	-27
CQS	342	366	437	-19%	-71
Oakhill	313	304	445	-46%	-141
Baillie Gifford (LGPS CIV) (ex-LBR)	227	499	474	5%	25
CCLA (ex-LBR)	13	28	27	4%	1
Henderson (ex-LBR)	338	351	570	-62%	-219
L&G (ex-LBR)	67	189	52	72%	137
Schroders (ex-LBR)	104	219	224	-2%	-5
Other / Misc (incl LCIV)	10		109		-109
	4,883	**5,430**	**6,097**	**-12%**	**-667**
Custody / Transaction Costs					
Northern Trust	44	60	49	18%	11
JP Morgan	3				
Transaction Costs	984		713		-713
	1,031	**60**	**762**		**-702**
Total Investment Management Costs	**5,914**	**5,490**	**6,859**	**-25%**	**-1,369**
Oversight & Governance Costs					
Central Administration	154		160		
Accounting Fees	14		14		
Audit Fees	21		38		
Actuarial Fees	59		53		
Investment Consulting	81		51		
Miscellaneous (courses, etc.)			10		
CIV Fees	25				
	354	**225**	**326**	**-45%**	**-101**
Administration Costs	**578**	**900**	**851**	**5%**	**49**
Grand Total	**6,846**	**6,615**	**8,036**	**-21%**	**-1,421**

Unit costs per member including investment management

	2016/17	2017/18
Pension Fund Costs*	£553,409	£837,850
Investment Management Costs*	£6,578,000	£6,859,000
Total	£7,131,409	£7,696,850
Membership	34,918	36,256
Cost per member	£204.23	£212.29

* Costs aggregated from 2016/17 as whole year Wandsworth pension fund costs plus half year Richmond pension fund costs. 2017/18 figures reflect whole year Wandsworth fund cost as the first complete year of the merged fund.

Management Performance

Performance Indicators

Key items of work are reported quarterly to the Director of Resources and the Pensions Board. Achievements against targets at the end of year for these key items are given in the table below. Data is for both Richmond and Wandsworth. Comparators with other administrators was not undertaken last year as the other administrators taking part in the benchmarking do not directly reflect the administration of the Shared Service providing administration for four pension funds.

Additional information covering the work of the Service is included in the review of specific major tasks/projects completed during the year in Section 3 - Scheme Administration Report.

Category of Work	2016/17 Achieved	2017/18 Achieved	Target
New Scheme Member	98.62%	99.28%	95.00%
Transfers In	83.80%	86.19%	95.00%
Early Leavers	97.46%	97.02%	95.00%
Transfers Out	74.13%	73.52%	95.00%
Refunds	98.24%	100.00%	98.00%
Pension Sharing on Divorce	100.00%	96.55%	98.00%
Correspondence	90.38%	95.45%	98.00%
Retirements	88.70%	92.00%	98.00%
Deceased member	81.85%	88.28%	98.00%

Customer Satisfaction Levels

Quality questionnaires are sent with every completed case together with a suggestion slip for members to suggest areas where they feel quality could be improved. The table below gives the percentage ratings of member satisfaction levels for the last 5 years.

	13/14	14/15	15/16	16/17	17/18
Very Satisfied	79%	79%	67%	62%	67%
Satisfied	15%	15%	22%	22%	21%
Satisfied after further enquiry	5%	6%	11%	12%	8%
Not satisfied	1%	0%	0%	4%	4%

Complaints Received

The Service uses the Council's Suggestions and Complaints procedure. Complaints received in the last 5 years are shown in the table below.

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

Membership Numbers and Trends

Total membership numbers and trends split by member type – contributors, pensioners, dependants and deferred are shown below. The table also gives an indication of the membership trends within each member type. The data provided shows the Richmond and Wandsworth membership numbers both before and after the pension funds merger. Data going forward will illustrate the trends for the combined pension fund.

% Diff from previous year Membership	15/16	16/17	% Diff 15/16 vs 16/17	17/18	% Diff 16/17 vs 17/18
No' of Contributors	9,460	9,634	1.84%	9,760	1.31%
No' of Pensioners	7,768	8,118	4.50%	8,423	3.76%
No' of Dependants	1,284	1,312	2.18%	1,349	2.82%
No' of Deferred*	14,298	15,854	10.88%	16,724	5.49%
Total Membership	**32,810**	**34,918**	**6.40%**	**36,256**	**3.84%**

* The total number of deferred members includes members who have left the scheme with short periods of contributing membership and therefore have no entitlement to an ongoing pension. These members have been excluded from the total deferred members shown in the note to the Fund Account and are entitled to either transfer this membership to a new pension arrangement in the future or to claim a refund of their contributions.

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given below as at each year on 31 March. The number of new early retirements is lower than earlier experience and so the total number of pensioners in these categories is following a downward trend as the older pensioners die.

Reason for Leaving	16/17	17/18
Ill Health Retirement	851	813
Early Retirement	783	709
Total	**1,634**	**1,522**

The age profile of the membership calculated as at 31 March 2018 is shown in the table and graph below.

Type of Member/Number within Age Band				
Age Band	**Actives**	**Pensioner**	**Dependant**	**Deferred**
0-5				
5-10			5	
10-15			19	
15-20	113		27	34
20-25	456		17	440
25-30	839		2	1331
30-35	890		1	1828
35-40	972		2	1931
40-45	1148	1	4	1945
45-50	1385	10	11	2397
50-55	1631	25	28	2965
55-60	1376	182	44	2600
60-65	711	1522	74	889
65-70	192	2073	124	216
70-75	47	1916	161	89
75-80		1166	196	27*
80-85		807	235	10*
85-90		461	223	13*
90-95		194	140	7*
95-100		60	28	1*
100-105		6	8	1*

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

Councillor Members

The Government passed legislation that removed the right for Councillors to be active members of the pension scheme from 26 May 2014 (for London Councils). As a result, there are no longer any contributing Councillor members of the LGPS. The membership for Councillor members is made up as follows:

	16/17	**17/18**
No' of Pensioners	34	38
No' of Dependants	1	5
No' of Deferred	66	61
Total	101	104

SECTION 2 - INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Policy

The Council sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS) (Section 8). The ISS also sets out the Fund's policies in respect of responsible investment and other environmental or social issues.

The Fund subscribes to and is a member of the Local Authority Pensions Fund Forum (LAPFF). The Fund does not subscribe to and is not a member of any other bodies.

The Investment Policy and the Council's approach to the management of risk for the Fund as a whole and in respect of the investment managers are outlined in the ISS (Section 8).

A summary of how the administration of investments is controlled, who deals with each element of the portfolio, how voting rights are exercised can be also found in the ISS (Section 8).

Responsible Investment Policy

The Council has a paramount fiduciary duty to obtain the best possible financial return on the Fund investments against a suitable degree of risk. It also considers a company's good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of the company and improve investment returns to its shareholders.

The investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund. In the execution of this, the Committee have considered and found it appropriate to adopt the investment managers' socially responsible investment policies. These policies are reviewed with the investment managers regularly both by officers and the Committee.

Voting

From 1st October 2016, the fund's investment managers were instructed to vote "having had due regard to the stewardship code". Previously managers were required to vote in line with the National Association of Pension Funds' (NAPF) voting guidelines.

Membership of external bodies

The Council is a member of the Local Authorities' Pension Fund Forum (LAPFF) and subscribes to the Local Government Pensions Committee (LGPC) service, all costs for which are met from the pension fund budget.

Manager changes

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

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

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

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

Monitoring of Managers

Managers are invited to the Pensions Committee periodically. Their views about the prospects for each asset class over a specified time horizon are recorded following their attendance and these views are examined at subsequent meetings and at quarterly meetings with Council Officers held at managers' offices.

Asset Allocation

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

In May 2017, following a review of long-term investment strategy carried out in conjunction with the fund's investment advisors, Mercer, the Committee adopted a revised asset allocation and ISS.

The table below shows the fund's notional asset allocation target (as per the ISS) at 31 March 2018, as compared to the actual asset allocation at that point. Also included is the previous year end's position based on the original ISS target allocation.

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

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

31 March 2017	Actual Asset Allocation	Actual Asset Allocation	Target Asset Allocation	Tolerance Ranges
	£'000	%	%	%
UK Equities	631,241	28.9	32.5	27.5 – 37.5
Overseas Equities	937,044	42.9	36.5	31.5 – 41.5
Fixed Interest Gilts	51,387	2.4	2.0	1.0 – 3.0
Corporate Bonds	228,266	10.5	5.0	3.0 – 13.0
Index Linked Bonds	47,169	2.2	3.5	2.0 – 5.0
Multi Asset Credit	105,417	4.8	5.0	3.5 – 6.5
Property	66,175	3.0	5.0	3.5 – 6.5
Alternatives (DGF)	89,774	4.1	3.3	2.0 – 5.0
Infrastructure	0	0	6.0	0.0 – 10.0
Cash / Other	26,051	1.2	1.2	0.5 – 2.0
Total	**2,182,524**	**100.0**	**100.00**	

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

Investment Performance

Fund performance is reported to the Committee on a quarterly basis comprising (1) individual manager performance and (2) whole fund performance as measured by the fund’s custodian, Northern Trust, reflecting the incorporation of the former London Borough of Richmond assets from 1 April 2017.

In addition, the fund receives longer-term performance information from Pensions & Investment Research Consultants Ltd (PIRC) who maintain a universe of LGPS historical returns (largely based on data collated by the former WM Company, provided by funds). In this analysis, PIRC have combined the two merged funds' historical records / rankings on a size-weighted basis.

Returns to 31 March 2018 (Annualised)	**1 Year %**	**3 Years %**	**5 Years %**	**10 Years %**	**20 Years %**	**30 Years %**
Local Authority Average	4.5	8.3	8.8	7.7	6.5	8.9
Local Authority Median	4.0	7.7	8.5	7.5	6.1	8.7
LB Wandsworth*	4.3	8.3	9.4	8.9	6.7	9.3
Ranking	**33**	**27**	**23**	**6**	**18**	**9**

Source: PIRC
*Incorporating LB Richmond's historical returns

Over the longest period measured (30 years) the record of the combined fund is ranked in the top decile of the 59 funds measured by PIRC (around 2/3 of those in the former WM Local Authority Universe).

Individual Managers' Performance

Performance figures relative to their specific benchmarks is given for all of the fund's managers over 1 and 3 years.

Year Ending 31st March 2018

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	+1.7	+1.3	+0.4	+2.0
UBS	UK Equity & IL Passive	+1.3	+1.2	+0.1	-
Allianz (CIV)	Global Equity	+8.2	+1.8	+6.4	+2.0
Baillie Gifford (CIV)	Global Equity	+12.8	+2.9	+9.9	+2.0
Longview	Global Equity	+1.4	+1.8	-0.4	+2.0
Henderson	Multi-Asset Enhanced	+2.3	+2.0	+0.3	+0.6
L&G	Multi-Asset Passive	+5.0	+4.9	+0.1	-
Rogge	Multi-Asset Bonds	+2.3	+1.5	+0.8	+1.5
CQS	Multi-Asset Credit	+4.9	+0.4	+4.5	+4.0
Oak Hill	Multi-Asset Credit	+2.4	+0.4	+2.0	+4.0
Baillie Gifford (CIV)	Diversified Growth	+4.7	+3.8	+0.9	-
CCLA / LAMIT	Property	+9.7	+10.0	-0.3	+1.0
Henderson	Property	+13.3	+10.0	+3.3	+1.0
L&G	Property	+7.9	+10.0	-2.1	+1.0
Schroders	Property	+10.9	+10.0	+0.9	+1.0

In the most recent year, of the 15 mandates (or sub-mandates) separately reported 12 outperformed the benchmark index of which 4 also exceeded any additional performance target. Three mandates under-performed the index.

3 Years ending 31st March 2018

Manager	Mandate	Return %	B'mark %	Relative %	Target pa %
River & Mercantile	UK Equity	+6.2	+5.9	+0.3	+2.0
UBS	UK Equity & IL Passive	+6.3	+6.3	0.0	-
Allianz (CIV)	Global Equity	+11.5	+10.7	+0.8	+2.0
Baillie Gifford (CIV)	Global Equity	+14.6	+10.8	+3.8	+2.0
Longview	Global Equity	+11.1	+10.6	+0.5	+2.0
Henderson	Multi-Asset Enhanced	+7.9	+7.6	+0.3	+0.6
L&G	Multi-Asset Passive	+8.0	+7.9	+0.1	-
Rogge	Multi-Asset Bonds	+5.2	+4.9	+0.3	+1.5
CQS	Multi-Asset Credit	N/A	N/A	N/A	+4.0
Oak Hill	Multi-Asset Credit	N/A	N/A	N/A	+4.0
Baillie Gifford (CIV)	Diversified Growth	+4.8	+3.9	+1.1	-
CCLA / LAMIT	Property	+8.0	+8.1	-0.1	+1.0
Henderson	Property	+11.4	+8.1	+3.3	+1.0
L&G	Property	+6.9	+8.1	-1.2	+1.0
Schroders	Property	+9.5	+8.1	+1.4	+1.0

CQS & Oakhill commenced on 1st September 2015.

Of the 13 mandates (or sub-mandates) separately reported that have been operating for 3 years of more 10 outperformed the benchmark index of which 3 also exceeded any additional performance target. Two mandates under-performed the index (and one – a passive mandate – equalled it).

Managers' Benchmarks & Performance Targets

Manager	Mandate	Benchmark	Target pa %
River & Mercantile	UK Equity	FTSE All-Share Index (Total Return)	+2.0
UBS	UK Equity & IL Passive	94% FTSE All Share,6% FTSE Actuaries Government Securities Index Linked > 5 Year	-
Allianz (CIV)	Global Equity	MSCI World Unhedged (Total Return)	+2.0
Baillie Gifford (CIV)	Global Equity	MSCI World All Countries Unhedged (Gross Dividend Re-invested)	+2.0
Longview	Global Equity	MSCI World Unhedged (Total Return)	+2.0
Henderson	Multi-Asset Enhanced	26.5% FTSE All Share; 23% FTSEW N America; 15% FTSEW Europe; 5.5% FTSEW Japan; 3.5% FTSEW Asia Pacific (ex Japan); 10.5% FTA British Government; 16% iBoxx Sterling Non- Gilt Index	+0.6
L&G	Multi-Asset Passive	FTSE All-Share 34.50%; FTSE World N America NetTax (UKPN) 18.50%; FTSE Dev Europe ex UK NetTax (UKPN) 10.00%; FTSE Japan NetTax (UKPN) 3.00%; FTSE Dev Asia Pac ex Japan NetTax (UKPN) 3.00%; FTSE Emerging NetTax (UKPN) 12.00%; FTSE A UK Gilts All Stocks 7.50%; Markit iBoxx GBP Non-Gilts (AllStocks) 11.50%	-
Rogge	Multi-Asset Bonds	80% IBOXX All Stocks Corporate Bonds, 20% FTSE Actuaries Govt Securities Index – Linked > 5 years	+1.5
CQS	Multi-Asset Credit	LIBOR	+4.0
Oak Hill	Multi-Asset Credit	LIBOR	+4.0
Baillie Gifford (CIV)	Diversified Growth	Base Rate +3.5% PA	-
CCLA / LAMIT	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0
Henderson	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0
L&G	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0
Schroders	Property	AREF / IPD All Balanced Property Fund Index Weighted Average	+1.0

SECTION 3 - SCHEME ADMINISTRATION REPORT

Overview

1. The Pensions Shared Service (the Service) is part of the Financial Services Division of the Resources Department, Richmond and Wandsworth Councils. The Service provides pension and compensation services to current and former employees and pensioners of Camden, Merton, Richmond, Waltham Forest and Wandsworth Councils. The service provided includes the full range of administrative duties for an employing and administering authority as follows:

a) Administering the Local Government Pension Scheme (LGPS) as an Employing and Administering Authority in accordance with relevant legislation and Committee decisions.

b) Administering the Teachers' Pension Scheme (TPS) and National Health Service Pension Scheme (NHSPS) as an employer.

c) Administering the Councils' early retirement arrangements and local policies for discretionary elements in accordance with relevant legislation and Committee decisions.

d) Maintains a central staff filing system for each employee/scheme member of the Councils.

e) Providing advice to Scheme members, the Directors Boards (or equivalent) and the Councils on options available under the pension schemes.

f) Contribute to national policy formulation on pensions to reflect the employers' preferred approach.

g) Prudently manage the budgets under the Service's control.

h) Exploit information technology to improve service standards and efficiency.

i) Train and develop staff to meet these service objectives.

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

Employer Responsibilities

3. The team is managed by a Pensions Manager (Employers) with a team of 6 staff undertaking employer's functions for members of the LGPS contributing across the Service. The main areas of responsibility for this team is the collection and reconciliation of contribution payments from over 200 external employers/payroll providers monthly, the employer duties for teachers, LPFA and NHS scheme members and providing detailed advice on admission to the pension scheme for external employers following tendering and academy conversions. This team also deals with redundancy and compensation benefits for employees and undertakes ad-hoc projects.

Data Management

4. The team is managed by a Pensions Manager (Data Management) with a team of 5 staff dealing with the receipt of electronic data, maintaining the pensions administration system, providing support to the other teams by way of streamlining the processes of calculating and notifying benefits. The team is responsible for new entrants to the scheme and the payment of refunds of contributions for early leavers. The team also deals with the annual processing for end of year and benefit statements, ad hoc projects and undertakes the initial stages of training new staff joining the Service.

Benefits

5. The team is managed by a Pensions Manager (Benefits) with a team of 14 staff. The team deals with all benefit entitlements for pensioners, retirement, re-employment, death benefits, transfers in to the scheme and early leaver entitlements such as deferred benefits or transfers out to other arrangements. The team is also responsible for the input of new entrants and changes to the Pensions Payrolls for the Service.

6. In addition to carrying out the day-to-day functions of pensions administration, the Service formulates Council policies within the legislative framework of regulations under the LGPS, TPS, compensation, age discrimination and HM Revenue and Customs' rules. This includes actively commenting on changes to legislation and Government policy.

General

7. The Council's Suggestions and Complaints procedure is available to any person who wishes to suggest or complain about the Service. Details of individual complaints along with the overall number of complaints are reported each year. There is also a two-stage statutory Independent Dispute Resolution Procedure within the LGPS regulations. Details of this procedure are available on the Pensions Service web pages at www.wandsworth.gov.uk/pensions or on request.

8. The Service Manager is Colette Hollands. The Pensions Managers, heading each team, are: Andy Gray (Employer Responsibilities), Carrie Adubofour (Data Management) and Martin Doyle (Benefits). They can be contacted by telephoning (020) 8871 6524 or by email to pensions@wandsworth.gov.uk. The Service reports to the Council's Assistant Director (Financial Services) Paul Guilliotti.

Review of 2017/18

1. The Service moved in to this year having successfully completed the pension fund valuation and commencing the annual processes of Pensions Increase, updating of variable rate contributions and pensionable pay and end of year updating of member records. Annual benefit statements were issued in late summer.

2. Major IT projects commenced during this year. A procurement exercise was completed in the summer and a provider appointed to undertake the project of the Guaranteed Minimum Pension reconciliation in accordance with Government requirements. This work will be ongoing throughout 2018/19. In addition, the Service entered in to a new contract for its pension administration system for the Partnership (on behalf of Camden, Merton, Richmond, Waltham Forest and Wandsworth) alongside the purchase of additional software enhancements of a cloud based portal for the transfer of employee records (i-Connect) and a member self-service (MSS) enhancement. i-Connect testing was undertaken throughout the latter half of this year and work commenced on the development of the MSS website.

3. All items raised as part of the Pensions Regulator Code 14 audit were actioned during the year with the final action of devising and commencing a data cleanse plan effected. The computerised pensions data was interrogated and data quality reports produced. A Tracing and Mortality checking provider was appointed and the first stage of data cleansing commenced with address checking and correcting.

4. The Service has again reviewed its Risk Register and Business Continuity Plan during the year and been subject to both internal and external audits. The internal audit was undertaken in January and the result was a qualified assurance with recommendations raised in four areas – tracing and updating of member addresses, documented checking signatures and isolated cases of missing annual certificate and calculation sheet. The recommendations were accepted and the recommendations discussed at the Service Team Meetings.

Dispute Resolution

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

IDRP - Number of appeals	16/17	17/18
In progress at start of year	2	3
New appeals during the year	5	4
In progress at end of year	3	1

IDRP	16/17			17/18		
	1st sta	1st sta	PO	1st sta	2nd Sta	PO
Complaint Not Upheld	1	1	0	2	0	0
Complaint Upheld	2	2	0	3	0	0
Withdrawn	0	0	0	1	0	0

2016/17

2. At the beginning of the year 2 cases were in progress: the appeal against the Council's decision not to award early payment of benefits on the grounds of ill health and the appeal against the Council's decision to award ill health tier 3 pension benefits.

3. The 5 new appeals received during the year related to: 3 appeals against the Council's decision not to award early payment of benefits on the grounds of ill health; 1 appeal against the Council's decision to award ill health tier 3 pension benefits and 1 appeal against the Council's decision to apply actuarial reductions to pension benefits.

4. During the year, 3 cases was concluded at stage 1. There were 2 complaints upheld and 1 complaint not upheld regarding appeals against the Council's decision not to award early payment of benefits on the grounds of ill health. Also, the Pensions Ombudsman decided to uphold a complaint against the Council's decision to award ill health tier 3 pension benefits.

5. At the end of the year there were 3 cases was in progress: the appeal against the Council's decision not to award early payment of benefits on the grounds of ill health, the appeal against the Council's decision to award ill health tier 3 pension benefits and the appeal against the Council's decision to apply actuarial reductions to pension benefits.

2017/18

6. At the start of the year 3 cases were in progress: the appeal against the Council's decision not to award early payment of benefits on the grounds of ill health the appeal against the Council's decision to award ill health tier 3 pension benefits and the appeal against the Council's decision to apply actuarial reductions to pension benefits.

7. The 4 new appeals received during the year related to the Council's decision not to award early payment of benefits on the grounds of ill health.

8. During the year, 5 cases was concluded at stage 1. There were 2 complaints upheld regarding the Council's decision not to award early payment of benefits

on the grounds of ill health and 3 complaints not upheld these were the appeal against the Council's decision to award ill health tier 3 pension benefits and 2 were against the Council's decision not to award early payment of benefits on the grounds of ill health. Also, a complaint against the Council's decision to apply actuarial reductions to pension benefits was withdrawn.

9. At the end of the year there was 1 case was in progress: the appeal against the Council's decision not to award early payment of benefits on the grounds of ill health.

SECTION 4 - ACTUARIAL REPORT ON FUND

Under regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS Pension Funds are required to commission and publish a valuation of the Fund on a specified date every three years. The last valuation was undertaken as at 31 March 2016 in accordance to the regulations in force at that date. An executive summary from the Fund actuary, Barnett Waddingham, is given below. This was reviewed by the Pensions Committee as part of the triennial actuarial report as at March 2016. See also Section 7 for the Funding Strategy Statement. The latest valuation report can be seen here:
http://www.wandsworth.gov.uk/downloads/file/12597/wandsworth_pension_fund_valuation_report_2016

Report by the Fund's Actuary - Executive Summary

Wandsworth Fund

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

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

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

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

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

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

Richmond Fund

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

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

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

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

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

Graeme Muir FFA
Partner
Barnett Waddingham LLP

Early Retirement within the LGPS

The Councils have powers to make discretionary payments under the LGPS. These mainly relate to payments for early retirements. The Councils are also required to decide upon entitlements for ill health retirement benefits in accordance with the regulations. The Councils requires capital payments from Revenue into the Pension Fund at the time of each retirement to pay for all early and ill health retirements. Accordingly, funding risks are minimised. Capital payments into the Pension Fund for early retirements during 2016/17 and 2017/18 were £1,833,370 and £2,744,603 respectively. The table below gives details of the number of each type of case and the text following the table gives a brief description of each type.

Type of Early Retirement	Number in 16/17	Number in 17/18
Ill Health	3	8
Redundancy	48	69
Efficiency of the Service	0	0
Compassionate Retirement	1	0
Total	**52**	**77**
Total Capitalised Payments	**£1,833,370**	**£2,744,603**

Under the LGPS it is possible to receive payment of accrued pension benefits early depending on the reason membership of the LGPS ends. The LGPS regulations permit early retirement on the following grounds:

- Ill Health – at any age where the employer terminates the member's employment on the grounds of permanent ill health. In this case the member receives their accrued pension benefits plus, in most cases, their pensionable membership period is increased.

- Redundancy – from age 55 where the employer terminates the member's employment on the grounds of redundancy. In this case, the member receives their accrued pension benefits without any reduction for the early payment.

- Efficiency of the Service - from age 55 where the employer terminates the member's employment on the grounds of business efficiency. In this case, the member receives their accrued pension benefits without any reduction for the early payment.

- Compassionate retirement - from age 55 where the member leaves employment to care for a close relative suffering from a long-term illness full time, has no other source of income and opportunities for other employment are severely limited.

SECTION 5 - GOVERNANCE COMPLIANCE STATEMENT

Introduction

1. In accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013 the Council is required to prepare, maintain and publish a written governance statement addressing certain issues. Regulation 55 is reproduced as follows: -

"Administering authorities: governance compliance statement -

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

a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
b) if the authority does so—
   (i) the terms, structure and operational procedures of the delegation,
   (ii) the frequency of any committee or sub-committee meetings,
   (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards establishment).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

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

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

Governance at Wandsworth

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

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

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

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

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

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

8. Fund members have an interest in benefit levels and the administration and service they receive when dealing with their pension rights. The Council's Pensions Service holds member User Groups that meet on average twice a year. The groups are made up of volunteers and provide a forum for Council officers and Fund members to raise any issues of concern. The volunteers are asked to actively comment on the administration of the LGPS within the Council. All Fund members who contact the Pensions Service with an enquiry are sent a user satisfaction survey. This enables the member to comment, anonymously if they wish, on the service they have received, to make any suggestions for improvements or register dissatisfaction if appropriate.

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

Version	Nature of Change	Implemented
V1	Initial Creation (Paper No. 06-324)	March 2006
V2	Reference to statutory guidance from CLG (Paper No. 09-150)	January 2009
V3	Replace references General Purposes Committee and Finance Sub-Committee with the Pensions Committee (Paper No. 10-591)	July 2010
V4	Local Government Pension Scheme Regulation updated to reflect current scheme for this report	August 2015

GOVERNANCE COMPLIANCE STATEMENT

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

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

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

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

Commentary on Governance Activity

During the course of 2016/17 the former Pensions Committee was reconstituted in recognition of the fund merger as the "Joint Pensions Committee" with three elected members from London Borough of Richmond being added to its membership. In addition, in order to prepare for the merger a provisional "Joint Pensions Panel" comprising the same membership as the subsequent Joint Pensions Committee met on three occasions in the course of 2016/17. Where necessary, decisions of principle agreed by the Panel were formally adopted by the Joint Pensions Committee at its first meeting.

The joint structure applied throughout 2017/18 with the Committee reverting to a conventional quarterly meeting pattern with meetings of the Joint Pensions Committee held on 23 May 2017, 21 September 2017, 29 November 2017 and 8 March 2018.

The Committee Reports detailed here are available on the internet by following the link to Reports and Minutes at:
https://democracy.wandsworth.gov.uk/ieListMeetings.aspx?CId=634&Year=0

A brief commentary of the items considered at each meeting is given below.

23 May 2017 at 7.30 p.m.

Paper No. 17-160 reported on: progress toward the consolidation of the merged fund's investment management arrangements; the agreement with the respective Richmond and Wandsworth auditors as to the accounting and reporting treatment of the two funds' activities in 2016/17 (prior to and after the 1 October merger); assurance provided to the Pension Regulator regarding the impact of the merger on the administration of the fund; progress made by the London CIV with regard to fixed interest investment (and the fund's potential alternative arrangements); and the treatment of overpayments of pension discovered with the Richmond pensions payroll.

Paper No. 17-161 concerned pension fund investment performance.

Paper No. 17-162 presented copies of the minutes from the Local Pension Board's meetings held on the 13th October 2016 and 26 March 2017.

Paper No. 17-163 presented proposals relating to various aspects of the fund's future investment strategy and approach including: a revised strategic target asset allocation benchmark; hedging of currency risk and the potential sourcing of investment options where the London CIV will not have the relevant fund available in the required timescale.

Paper No. 17-164 introduced a presentation to be made to the Committee by London CIV regarding when and how they will have procured relevant managers that would meet the fund's requirements.

21 September 2017 at 7.30 p.m.

Paper No. 17-317 presented the Pension Fund Audit Report from Ernst & Young LLP (EY) relating the fund's accounts for year ending 31st March 2017.

Paper No. 17-318 presented the Pension Fund Annual Report for 2016/17.

Paper No 17-319 reported on: further options in relation to the furtherance of the currency hedging procurement; the completed transition of the Longview Partners global equity mandate to the London CIV; a training initiative for Committee members under the CIPFA Knowledge & Skills Framework; progress of the London CIV in relation to the provision of further investment opportunities; and approaches the fund had received in relation to fossil fuel investments.

Paper No 17-320 reported on (and sought authority for) the fund's response to the Market in Financial Instruments Directive ("MiFID II").

Paper No. 17-321 concerned pension fund investment performance.

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

29 November 2017 at 7.30 p.m.

Paper No. 17-441 proposed a Training Policy for member of the Joint Pensions Committee and Local Pensions Board.

Paper No. 17-442 presented a copy of the minutes from the Local Pension Board's meeting held on the 30th October 2017.

Paper No 17-443 reported on: personnel changes at the London CIV; the Annual Report of the Chairman of the Local Pension Board; and further progress on the sourcing of a Private Debt mandate by a group of 5 London Boroughs.

Paper No. 17-444 concerned pension fund investment performance.

Paper No. 17-445 presented a Revised Funding Strategy Statement.

8 March 2018 at 7.45 p.m.

Paper No. 18-103 presented the fund's revenue budget for the reporting years 2018/19 and 2020/21 inclusive.

Paper No. 18-104 reported on: progress toward the implementation of the fund's strategic asset allocation benchmark target; further issues in relation to the London CIV (with specific reference to the ongoing governance review); and further progress in relation the fund's currency hedging procurement.

Paper No. 18-105 concerned pension fund investment performance.

Paper No. 18-106 reported on possible options relating to “equity protection” i.e. strategies to mitigate the volatility associated with equity investment.

Paper No. 18-107 reported on the fund’s approach to (and recent inquiries to external managers relating to) Environmental, Social and Governance aspects of investment activity.

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

Local Pension Board

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

The Board meets twice annually and in 2017/18 met on 30 October 2017 and 26 March 2018. Details of the meetings (including agenda, reports and minutes) can be found at:

https://democracy.wandsworth.gov.uk/ieListMeetings.aspx?CId=595&Year=0

Conflicts of Interest

The Pension Fund is governed by elected members acting as trustees and accordingly the Code of Conduct for elected members’ sets out how any conflicts of interests involving elected members acting as trustees should be addressed. This is available at http://www.wandsworth.gov.uk/downloads/file/52/code_of_conduct

The Code includes provisions dealing with an elected member’s general obligations to treat others with respect and not to bully, intimidate or do anything that compromises the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about “disclosable pecuniary interests” and action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council’s Monitoring Officer.

The Code also requires elected members to register disclosable pecuniary interests.

SECTION 6 - STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the chief financial officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The chief financial officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that the statement of accounts gives a true and fair view of the financial position of the Pension Fund of Wandsworth Council at the end of the period to which it relates and its income and expenditure for that period, including any material events occurring after the net assets statement date, until the date of this certificate.

Signatures

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

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF WANDSWORTH PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2018, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Wandsworth Borough Council for the year ended 31 March 2018 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (30 July 2018) and the date of this statement.

Respective responsibilities of the Director of Resources and Deputy Chief Executive and the auditor

As explained more fully in the Statement of the Director of Resources and Deputy Chief Executive's Responsibilities, the Director of Resources and Deputy Chief Executive is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Wandsworth Borough Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Management and Financial Performance Report, Investment Policy and Performance Report, Scheme Administration Report, Actuarial Report on Fund, Governance Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Communications Policy Statement and appendix 1 NFI.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Helen Thompson

Ernst + Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
3 September 2018

PENSION FUND ACCOUNT

	Note	2017/18 £000	2016/17 £000
Dealing with Members, Employers and Others Directly Involved in the Fund			
Contributions receivable	*7*	(58,951)	(46,427)
Transfers In from Other Pension Funds	*8*	(7,661)	(1,745)
Transfer in of LBRuT Fund at Market Value		0	(675,048)
		(66,612)	(723,220)
Benefits payable	*9*	74,582	60,241
Payments to and on account of Leavers	*10*	6,196	4,732
		80,778	64,973
Net (Additions)/Withdrawals from Dealings with Members		**14,166**	**(658,247)**
Management Expenses	*11*	8,036	6,192
Net (Additions)/Withdrawals including Fund Management Expenses		**22,202**	**(652,055)**
Returns on Investments			
Investment income	*12*	(33,986)	(26,927)
Taxes on income	*12*	272	116
(Profit)/Loss on Disposal of Investment and changes in Market Value	*13*	(72,264)	(315,342)
Net Returns on Investments		**(105,978)**	**(342,153)**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		**(83,776)**	**(994,208)**
Opening Net Assets of the Fund		(2,182,680)	(1,188,472)
Closing Net Assets of the Fund		**(2,266,456)**	**(2,182,680)**

Net Assets Statement

	Note	31st March 2018 £000	31st March 2017 £000
CIV Long Term Capital (Founders' Shares)		300	300
Investment Assets	*13*	2,241,630	2,161,667
Cash Deposits		16,621	21,781
Investment Liabilities	*13*	(1,098)	(924)
Total Net Investments	*13*	2,257,453	2,182,824
Current Assets (incl. bank)	*18*	10,829	4,183
Current Liabilities	*18*	(1,826)	(4,327)
Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period		**2,266,456**	**2,182,680**

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Pension Fund Note 17 of these accounts.

NOTES TO THE PENSION FUND

Pension Fund Note 1 Description of Fund

Wandsworth Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Wandsworth Borough Council (WBC). The Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Fund's Annual Report 2017/18 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972, Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

In the course of 2016/17, following the passing of SI 2016 No. 1241 ("The Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016"), all the assets and liabilities of the former London Borough of Richmond upon Thames (LBRuT) Pension Fund transferred to the Fund. LBRuT ceased to be an administering authority of the LGPS, with all such responsibilities transferring to the Wandsworth Borough Council (WBC). The regulations effecting this change came into full legal force on 26th January 2017 but with retrospective effect, in a legal and accounting sense, from 1st October 2016 (the "merger date" cited in the legislation). 2017/18 is the first full year of reporting on the merged Fund.

- **General**

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

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

It is a defined benefit occupational pension scheme to provide pensions and other benefits for pensionable employees of councils and other scheduled and admitted bodies within the Boroughs of Wandsworth and Richmond upon Thames. Teachers are not included as they come within the Teachers' national pension scheme. The Fund is overseen by the Councils' Joint Pensions Committee.

- **Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join or make their own personal arrangements outside of the LGPS. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the LGPS.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

- Designating bodies, which can nominate employees for access to the LGPS.

There are 98 employer organisations within the Fund including the Council itself. 63 employer organisations, including the councils, have active members, the remaining employer organisations have deferred members and pensioners only.

	31st March 2018	31st March 2017
Number of Employers with Active Members	63	53
Number of Employees in the Fund		
Councils (LBRuT & WBC)	7,325	6,749
Other Employers	2,435	2,885
Total	**9,760**	**9,634**
Number of Pensioners (including dependants)		
Councils (LBRuT & WBC)	8,847	8,440
Other Employers	925	990
Total	**9,772**	**9,430**
Deferred Pensioners		
Councils (LBRuT & WBC)	11,963	12,836
Other Employers	2,098	3,018
Total	**14,061**	**15,854**
Total Number of Members in the Fund	**33,593**	**34,918**

This table includes borough schools membership as part of the relevant council from 2017/18. This brings Fund presentation in line with the councils' accounts, where borough schools are consolidated into balances, and is therefore more appropriate for these employers.

- **Funding**

Benefits are funded by contributions and returns on investment. Contributions are made by active members of the LGPS in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2018. Employer contributions are set at each triennial actuarial valuation of the Fund. The last valuation was at 31st March 2016 (prior to the merger of the Richmond and Wandsworth Pension Funds). Valuations for both Richmond and Wandsworth were carried out by the same actuary using common assumptions. At the end of the year the combined Fund was assessed for accounting purposes as a single entity. Primary contribution rates payable by employers range from 14.5% - 26.6% of pensionable pay (although some employers are paying additional deficit contributions).

- **Benefits**

The LGPS was amended from 1st April 2014. From this date the LGPS provides a Career Average Revalued Earnings (CARE) pension (rather than a pension based on final salary) with a benefit build up rate of 1/49th (rather than 1/60th) for future membership. Protections apply to benefits built up before 1st April 2014. More details about the scheme can be found here: www.lgpsmember.org for members of the scheme and here: www.lgpsregs.org for administrators of the scheme.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable membership, summarised below:

	Service pre 1st April 2008	Service post 31st March 2008 to 31st March 2014
Pension	Each year worked is worth 1/80 x final pensionable pay.	Each year worked is worth 1/60 x final pensionable pay.
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax- free cash payment. A lump sum of £12 is paid for each £1 of pension given up. Subject to the lifetime allowance limit imposed by the HM Revenue & Customs.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. Subject to the lifetime allowance limit imposed by the HM Revenue & Customs.

There are a range of other benefits provided under the LGPS including early retirement, disability pensions and death benefits. For more details, please refer to the LGPS member website (above) and http://www.wandsworth.gov.uk/info/200260/finance_department/417/pensions_shared_service

Benefits are index-linked in order to keep pace with inflation.

Pension Fund Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year-end as at 31st March 2018. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* 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 into account of obligations to pay benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Pension Fund Note 17 of these accounts.

As noted above during 2016/17 all assets and liabilities of the LBRuT Pension Fund transferred to the WBC Pension Fund and transactions occurring after that date (on an accruals basis) are attributable to the Fund. The relevant assets have been treated in the accounts as having been transferred at the values applicable to the "merger date" 30 September 2016. The comparative Fund Account for 2016/17 therefore includes:-

- a transfer (shown separately) of the total market value of the LBRuT Fund as at 30 September 2016 (including any accruals as at that date); and
- all revenue transactions related to the former LBRuT Fund attributable to the period after the merger date shown on a consolidated basis.

The transfer value of the LBRuT Fund shown in the accounts is based on the audited accounts of the LBRuT Fund covering the period 1 April 2016 to 30 September 2016. This audit was carried out by Grant Thornton LLP.

Pension Fund Note 3 Summary of Significant Accounting Policies

Fund account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis in the payroll period to which they relate.

The Council's contribution rate for the year ended 31st March 2018 was 18% of pensionable pay which was fully attributable to the normal contribution rate in respect of future accrual. The contribution rate payable by other employers (including those transferred from the London Borough of Richmond upon Thames) contributing to the Fund ranges from 14.5% - 26.6%. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or in the absence of an agreement on a receipts basis. Contributions are recognised when salaries are paid.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the LGPS during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Pension Fund Note 8 and Pension Fund Note 10).

Individual transfers in/out are accounted for when received/paid which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see Pension Fund Note 19) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in (see Pension Fund Note 8).

c) Investment income

Interest income - Interest Income is recognised in the fund account as it accrues.

Dividend income - Dividend income is recognised on the date the shares are quoted excluding dividend. Any amount not received by the end of the reporting period is disclosed within investment assets.

Distribution from pooled funds - Pooled investment vehicles are accumulation funds and as such the change in market value also includes income, net of withholding tax, which is re-invested in the fund. All of the pooled funds are accumulation funds with the exception of the Henderson equity, bond and property funds and the CCLA / LAMIT, Schroders and Rreef property fund.

Movement in the net market value of investments - 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 sale of investments during the year.

Fund account – expense items

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Pensions and lump sum payments are considered to be due at the later of the date of retirement and the date that the option to receive benefits is exercised.

e) Taxation

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

f) Management Expenses

The Fund's expenses have been stated in the accounts according to the CIPFA Guidance "Accounting for local government pension scheme management expenses (2016)". This requires costs be expressed and a consolidated value in the Fund Account and to be analysed elsewhere over 3 categories:

- administration expenses;
- oversight and governance expenses; and
- investment management expenses.

The Fund's administration costs are comprised of a charge made to the Fund for the services provided by the Pensions Shared Service and other Council-provided services such as pensioners payroll.

g) Investment Management Expenses

The CIPFA Guidance further requires that investment management expenses should be analysed over 4 sub-categories:

- transaction costs
- management fees (including ad valorem or fund value based fees)
- performance fees
- custody fees

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated with the following managers that an element of their fee be performance related. Performance targets are set on a three-year rolling basis in relation to the benchmark (except where noted).

- Longview Partners
- River and Mercantile
- Allianz Global Partners (formerly Rogge Global Partners)
- Henderson Global Investors [now Janus Henderson] (annual)

A fixed sum of the Council's costs representing management time spent by officers on investment management is charged to the Fund.

Net Assets Statement

h) 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 assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

- Market - quoted investments:

  The value of an investment for which there is a readily available market price is determined by the bid price ruling on the final day of the accounting period.

- Fixed interest securities:

  Fixed interest securities are recorded at bid price based on their current yields.

- Pooled investment vehicles:

  Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and Cash Equivalents

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

l) 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.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards (as required by IAS 26).

As permitted under the CIPFA Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Pension Fund Note 17).

n) Additional Voluntary Contributions

The Fund provides additional voluntary contributions (AVC) schemes for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential as its AVC provider. The Fund has also taken on the LBRuT Fund's AVC arrangements of Equitable Life and Clerical Medical.

AVCs are paid to the AVC provider by employees and are specifically for providing additional benefits for individual members. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts but are disclosed separately in (Pension Fund Note 19).

Pension Fund Note 4 Critical Judgements in Applying Accounting Policies

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised (Pension Fund Note 17). This estimate is subject to significant variances based on changes to the underlying assumptions.

Pension Fund 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.

The item for which there is a significant risk of material adjustment in the forthcoming financial year is as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £50.4m a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3.9m a one-year increase in assumed life expectancy would increase the liability by approximately £107.2m.

Pension Fund Note 6 Events after the Year End

There have been no events since 31st March 2018, and up to the date when these accounts were certified that require any adjustments to these accounts.

Pension Fund Note 7 Contributions

	31st March 2018 £000	31st March 2017 £000
Employees' Contributions	**14,304**	**11,175**
Normal Contributions	36,694	28,154
Deficit Recovery Contributions	4,707	5,266
Augmentation Contributions	3,246	1,833
Employers' Contributions	**44,647**	**35,253**
Total Contributions by Category	**58,951**	**46,428**
Scheduled Bodies	52,302	43,752
Admitted Bodies	3,524	1,565
Designated Bodies	3,125	1,111
Total Contributions by Body	**58,951**	**46,428**

Pension Fund Note 8 Transfers in from other Pension Funds (including LBRuT Transfer)

	31st March 2018 £000	31st March 2017 £000
Individual Transfers	7,661	1,745
Transfer of LBRuT Fund	n/a	675,048
Analysis of LB Richmond Fund Transfer		**1st October 2016**
Assets Transferred in specie		667,890
Cash		6,216
Investment Debtors		197
Current Assets		1,135
Current Liabilities		(390)
Total		**675,048**

Pension Fund Note 9 Benefits

	31st March 2018 £000	31st March 2017 £000
Pensions	60,640	48,612
Commutation and Lump Sum Retirement Benefits	11,455	10,557
Lump Sum Death Benefits	2,487	1,072
Total Benefits by Category	**74,582**	**60,241**
Scheduled Bodies	70,771	58,372
Admitted Bodies	3,424	1,750
Designated Bodies	387	119
Total Benefits by Body	**74,582**	**60,241**

Pension Fund Note 10 Payments to and on Account of Leavers

	31st March 2018 £000	31st March 2017 £000
Refund to Members Leaving Service	279	374
Individual Transfers	5,917	4,358
Total Payments to/on account of Leavers	**6,196**	**4,732**

Pension Fund Note 11 Management Expenses

	2017/18 £000	2016/17 £000
Administrative Costs	851	578
Investment Management Expenses	6,859	5,285
Oversight & Governance Costs	326	329
Total Management Costs	**8,036**	**6,192**
Transaction Costs	715	983
Management Fees	5,626	3,363
Performance Related Fees	469	892
Custody Fees	49	47
Total Investment Management Costs	**6,859**	**5,285**

Pension Fund Note 12 Investment Income & Tax

	2017/18 £000	2016/17 £000
Fixed Interest Securities	6,301	6,141
Equity Dividends	11,751	11,194
Pooled Investment (Unit Trusts & Other Managed Funds)	15,914	9,551
Interest on Cash Deposits	20	41
Total Investment Income	**33,986**	**26,927**
Taxes on Income		
Overseas Withholding Tax on Equities	180	116
Overseas Withholding Tax on Pooled Vehicles	92	0
Total Taxes on Income	**272**	**116**

Pension Fund Note 13 Investments

This note gives further detail relating to the Total Net Investments on the Net Assets Statement

	31st March 2018 £000	31st March 2017 £000
Investment Assets		
CIV Founders' Shares	300	300
Fixed Interest Securities	184,650	181,996
Equity	178,327	441,509
Pooled Investments	1,798,531	1,466,793
Pooled Property Investments	71,607	66,175
Derivative Contracts		
- Futures	362	192
- Forward currency contracts	89	120
Cash Collateral	314	174
Investment Income Due	4,734	4,114
Amounts Receivable for Sales	3,016	592
Amounts Receivable for Pending Spot FX	0	3
Other Investment Assets	**2,241,630**	**2,161,668**
Cash Deposit	16,621	21,779
Total Investment Assets	**2,258,551**	**2,183,747**
Investment Liabilities		
Derivative Contracts		
- Futures	(396)	(170)
- Forward currency contracts	(495)	(241)
Amounts Payable for Purchases	0	(513)
Other Investment Liabilities	(207)	0
Total Investment Assets	**(1,098)**	**(924)**
Net Investment Assets	**2,257,453**	**2,182,823**

a) Reconciliation of movements in Net Investment Assets (excluding CIV founders shares)

Asset Category	Market Value 1 April 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2018
	£000	**£000**	**£000**	**£000**	**£000**
Fixed Interest Securities	181,996	140,415	(134,783)	(2,978)	184,650
Equities	441,509	118,569	(381,278)	(473)	178,327
Pooled Investments	1,466,793	538,830	(275,891)	68,799	1,798,531
Pooled Property Investments	66,175	921	(803)	5,314	71,607
Investments excl. Derivatives & CIV	**2,156,473**	**798,735**	**(792,755)**	**70,662**	**2,233,115**
Derivative Contract:					0
Futures	21	1,631	(1,814)	128	(34)
Forward Currency Contracts	(121)	3,060	(4,436)	1,091	(406)
	2,156,373	**803,426**	**(799,005)**	**71,881**	**2,232,675**
Other Investment Balances:					
Cash Deposits	21,781			(67)	16,621
Amount Receivable for Sales & Investments	592			20	3,016
Investment Income Due	4,114				4,734
Spot FX Contracts	3			(253)	0
Amount Payable for Purchases of Investments	(513)				0
Cash Collateral	174			0	107
Obligation to Return Cash Collateral	0				0
Total Net Investments excl. CIV	**2,182,524**			**71,581**	**2,257,153**
Other changes charged to the Fund Account				683	
(Profit)/Loss on Disposal of Investment and changes in Market Value				**72,264**	

Asset Category	Market Value 1 April 2016	Transfer of Assets from LBRuT	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2017
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fixed Interest Securities	157,738	0	83,766	(75,411)	15,903	181,996
Equities	503,080	0	168,928	(324,710)	94,211	441,509
Pooled Investments	499,187	605,027	171,755	(10,703)	201,527	1,466,793
Pooled Property Investments	1,106	62,712	480	(298)	2,175	66,175
Investments excl. Derivatives & CIV	**1,161,111**	**667,739**	**424,929**	**(411,122)**	**313,816**	**2,156,473**
Derivative Contract:						
Futures	115	0	(389)	(868)	1,163	21
Forward Currency Contracts	(531)	0	7,791	(6,742)	(639)	(121)
	1,160,695	**667,739**	**432,331**	**(418,732)**	**314,340**	**2,156,373**
Other Investment Balances:						
Cash Deposits	19,280				72	21,781
Amount Receivable for Sales & Investments	276					592
Investment Income Due	4,252					4,114
Spot FX Contracts	0					3
Amount Payable for Purchases of Investments	(410)					(513)
Cash Collateral	305					174
Obligation to Return Cash Collateral	(187)					0
Total Net Investments excl. CIV	**1,184,211**					**2,182,524**

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £0.7m (£1.0m in 2016/17). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

b) Analysis of investments excluding cash, derivative contracts and CIV founders shares

	31st March 2018 £000	31st March 2017 £000
Fixed Interest Securities		
UK		
Public Sector - quoted	6,728	6,273
Corporate - quoted	66,651	72,003
Public Sector - index linked	35,083	36,575
Overseas		
Public Sector - quoted	3,080	6,558
Corporate - quoted	73,108	60,587
	184,650	181,996
Equities		
UK		
Quoted	173,157	199,163
Overseas		
Quoted	5,170	242,346
	178,327	441,509
Pooled Funds - Additional analysis		
UK		
Fixed Income Unit Trust	244,251	239,404
Equity Unit Trust	526,004	432,078
Diversified Growth Unit Trust	0	89,774
Overseas		
Fixed Income Unit Trust	9,703	10,838
Equity Unit Trust	1,018,573	694,698
	1,798,531	1,466,792
Pooled Property Investments	71,607	66,175
	71,607	66,175
Total Investments excl. Derivatives & CIV	**2,233,115**	**2,156,472**

Analysis of derivatives

Objectives and policies for holding derivatives

Derivative instruments are used in the bond portfolio managed by Allianz (formerly Rogge) in order to help achieve the objectives of the Portfolio more efficiently than would otherwise be the case through direct dealing in underlying securities. Such objectives include the reduction of cost, or the generation of additional capital gains or income with an acceptable level of risk. The underlying asset of any derivative must be an investment that is permitted to be held in the portfolio.

In practice, it sometimes may be prohibitive on a cost-benefit basis to purchase or sell physical bonds. In these instances, gaining a desired market exposure through a derivative instrument, such as a bond future, may provide a more efficient means of accessing risk for the portfolio. Frequently the use of futures is for risk-reductive purposes, i.e. hedging away unwanted interest rate exposure from security selection process when choosing which issuers to invest in. In some instances, futures will also be used in the portfolio to gain active interest rate exposures in certain countries, where it makes sense to gain exposure through the futures market as opposed to dealing directly in physical securities.

In all instances, derivatives are not used to leverage the portfolio (i.e. lending against securities to raise additional capital), or to materially incur portfolio risk in a way which would exceed the stated duration limits of the portfolio, or with the intention of increasing active risk (tracking error) above stated limits.

Derivative positions are managed as an integral part of the portfolio strategy. The portfolio, inclusive of derivative positions, is bound by the performance objectives and constraints set out in the guidelines. All obligations resulting from purchases or sales of futures would be covered at all times by holdings within the portfolio.

Allianz is the only manager permitted to use derivatives. Allianz use two types of derivative being Forward Foreign Exchange contracts and Futures. Their use enables Allianz to manage positions efficiently where cash market liquidity is poor and to reduce trading costs. The use of derivatives for speculation or to gear the fund is prohibited. The contract with Allianz restricts their use as follows:

"The net value of the derivatives in place should not exceed 5% of the portfolio's market value".

a. Futures

Futures are used by the manager to manage interest rate risk exposure as described above.

b. Forward Foreign Currency

The Fund holds foreign exchange forward currency contracts to hedge the Fund's exposure to investments denominated in overseas currencies. The purpose of this is to manage risk of exposure to foreign currencies, the interaction with investments held and fluctuations in exchange rates depending on conditions and expectations in these markets.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000	Market Value 31st March 2018 £000	Economic Exposure £000	Market Value 31st March 2017 £000
Assets					
UK Fixed Income Futures	< 1 Year	368	4	8,675	140
Overseas Fixed Income Futures	< 1 Year	14,498	357	24,225	51
Total Assets			**361**		**191**
Liabilities					
UK Fixed Income Futures	< 1 Year	0	0	0	0
Overseas Fixed Income Futures	< 1 Year	(58,886)	(395)	(9,852)	(170)
Total Liabilities			**(395)**		**(170)**
Net Futures			**(34)**		**21**

Open forward currency contracts

Settlements	Currency Bought	Local Value of Currency Bought £000	Currency Sold	Local Value of Currency Sold £000	Asset Value £000	Liability Value £000
< 1 month	IDR	70,260,958	USD	(5,250)		(103)
< 1 month	USD	5,622	MXN	(107,521)		(177)
< 1 month	BRL	13,799	USD	(4,277)		(94)
< 1 month	USD	2,304	IDR	(31,982,661)		(14)
< 1 month	MXN	35,066	USD	(1,861)	38	
1-6 months	SEK	45,312	EUR	(4,495)		(84)
1-6 months	USD	2,756	NZD	(3,823)		(1)
1-6 months	CAD	133	USD	(102)	1	
1-6 months	GBP	16,455	USD	(23,160)		(22)
1-6 months	GBP	1,291	EUR	(1,469)	2	
1-6 months	USD	39	AUD	(50)	0	
1-6 months	USD	6,940	GBP	(4,894)	43	
1-6 months	NZD	3,823	USD	(2,752)	4	
Open Forward Currency Contracts at 31st March 2018					**88**	**(495)**
Net Forward Currency Contracts at 31st March 2018						**(407)**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2017					120	(241)
Net Forward Currency Contracts at 31st March 2017						(121)

Investments analysed by Fund Manager

	Market Value 31st March 2018		Market Value 31st March 2017	
	£000	%	£000	%
Aberdeen (Property Pooled Vehicle)	182	0.0	827	0.0
Baillie Gifford (Equity)	237,368	10.5	211,969	9.7
CCLA / LAMIT (Pooled Property)	4,417	0.2	4,265	0.2
CQS Multi-Asset Credit (Pooled Fund)	57,238	2.5	54,565	2.5
Henderson (Multi-Asset & Pooled Property)	245,090	10.9	263,608	12.1
L&G (Passive Multi-Asset & Pooled Property)	350,118	15.5	332,963	15.3
London LGPS CIV (Allianz Global Equity)	231,309	10.2	215,473	9.9
London LGPS CIV (Baillie Gifford DGF)	94,467	4.2	89,774	4.1
Longview (Global Equity)	284,451	12.6	280,239	12.8
Northern Trust (Custodian)	10,037	0.4	352	0.0
Oakhill (Multi-Asset Credit)	49,493	2.2	50,852	2.3
River & Mercantile (UK Equity)	181,823	8.1	178,874	8.2
Rogge (Enhanced Bonds)	200,866	8.9	196,389	9.0
Schroders (Pooled Property)	33,065	1.5	29,861	1.4
UBSGAM (Passive Multi-Asset)	277,229	12.3	272,513	12.5
Fund Manager total	**2,257,153**	**100.0**	**2,182,524**	**100.0**
CIV Founders Shares	300		300	
Total Net Investments	**2,257,453**		**2,182,824**	

The following investments represent more than 5% of the net assets of the Fund

	Market Value 31st March 2018		Market Value 31st March 2017	
	£000	% of Fund	£000	% of Fund
Longview (Global Equity)	284,316	12.6	0	0.0
UBSGAM Life UK Equity Tracker	260,703	11.6	256,523	11.8
London LGPS CIV (Growth)	237,335	10.5	211,367	9.7
London LGPS CIV (Allianz Global Equity)	231,268	10.3	214,749	9.8
L&G UK Equity Index Fund	0	0.0	109,910	5.0
Total Investment Assets	**1,013,622**	**45.0**	**792,549**	**36.3**

This table shows individual investments held by fund managers. Managers may hold additional investments, including cash, so the total investment by manager may not equal the figures quoted above.

The Fund held 30 Pooled Funds, they are shown in the table below

Asset Description	Market Value at 31st March 2018	Market Value at 31st March 2017
LCIV LV Global Equity Fund [Longview Global Equity]	284,316	-
UBSAM UK Equity Tracker Fund	260,703	256,523
LCIV Global Equity Alpha [Allianz Global Equity]	231,268	214,749
LCIV BG Global Alpha Growth [Baillie Gifford Global Equity]	237,335	211,367
L&G UK Equity Index Fund	111,430	109,910
LCIV Diversified Growth [Baillie Gifford DGF]	94,467	89,774
Janus Henderson Institutional UK Index Opportunities Trust	59,403	65,644
L&G North America Equity Index Fund	62,330	58,234
Janus Henderson Institutional Exempt North American Index Opportunities Fund	51,100	56,389
CQS Multi Asset Credit Fund	57,238	54,565
Oakhill Multi Asset Credit Fund	49,493	50,852
L&G World Emerging Mkts Equity Index Fund	40,984	38,864
Henderson All Stocks Credit Fund	34,217	38,504
Janus Henderson Institutional European Index Opportunities Fund	33,812	38,213
L&G Investment Grade Corporate Bond Index Fund	40,304	34,380
L&G Europe (ex UK) Equity Index Fund	34,214	33,159
Schroder UK Real Estate Fund	32,799	29,766
Janus Henderson Institutional UK Gilt Fund	24,161	22,800
L&G All Stocks Gilts Index Fund	22,312	22,314
TH UK Property Fund	18,038	-
Janus Henderson UK Property Fund	-	16,419
UBSAM Over 5 Year Index Linked Gilt Tracker Fund	16,525	15,990
L&G Managed Property Fund	16,171	14,946
Janus Henderson Institutional Japan Index Opportunities Fund	12,891	13,530
L&G Asia Pacific (ex Japan) Developed Equity Index Fund	11,491	10,742
L&G Japan Equity Index Fund	10,882	10,414
Janus Henderson Institutional Asia Pacific (ex Japan) Index Opportunities Fund	7,951	9,039
Rogge Funds plc Global Select High Yield Bond Zero Management	6,216	7,403
Local Authorities' Property Fund (LAMIT / CCLA)	4,417	4,217
Rogge Funds plc Heitman Short Duration Global Bond Fund	3,488	3,435
Rreef Up Property Fund No 3	182	827
Total	**1,870,138**	**1,532,969**

The top 10 equity holdings are shown in the table below

Asset Description	Market Value at 31st March 2018	Market Value at 31st March 2017
	£000	£000
Royal Dutch Shell 'B' Ordinary Shares	9,977	10,118
BP Ordinary Shares	9,487	-
HSBC Holdings Ordinary Shares (UK reg)	7,993	-
Glaxosmithkline Ordinary Shares	6,388	-
National Grid Ordinary Shares	4,974	-
Rio Tinto Ordinary Shares	4,792	-
British American Tobacco Ordinary Shares	4,748	-
Tesco Ordinary Shares	4,583	-
Prudential	4,446	-
Vodafone Group Ordinary	4,128	-
Parker Hannifin Corporation	0	10,714
Aon	0	10,431
HCA Healthcare	0	10,360
Delphi Automotive	0	10,089
Sap	0	10,073
Emerson Electric Company	0	9,820
Fidelity National Information Services	0	9,766
Zimmer Biomet holdings	0	9,731
Progressive Corporation	0	9,693
Total	**61,516**	**100,795**

Stock Lending

Stock lending is prohibited by the Fund’s Investment Strategy Statement.

Pension Fund Note 14 Financial Instruments

a) Classification of 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 (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31st March 2018			31st March 2017		
	Designated as fair value through P/L £000	Loans and receivables £000	Financial Liabilities at Amortised Cost £000	Designated as fair value through P/L £000	Loans and receivables £000	Financial Liabilities at Amortised Cost £000
Financial Assets						
Fixed Interest Securities	184,650			181,996		
Equities	178,327			441,809		
Pooled Investments	1,798,531			1,466,793		
Pooled Property Investments	71,607			66,175		
Derivative Contracts	451			312		
Cash		16,621			21,779	
Other Investment Balances	314	4,734		4,675	204	
Current Assets		3,016			4,184	
Total Assets	**2,233,880**	**24,371**	**0**	**2,161,760**	**26,167**	**0**
Financial Liabilities						
Derivative Contracts	(891)			(411)		
Other Investment Balances	(207)			3		
Creditors						(513)
Current Liabilities					(57)	
Pending Currency Transactions						(4,270)
Total Liabilities	**(1,098)**	**0**	**0**	**(408)**	**(57)**	**(4,783)**
Net Total	**2,232,782**	**24,371**	**0**	**2,161,352**	**26,110**	**(4,783)**

b) Net Gains and Losses on Financial Instruments

	31st March 2018 £000	31st March 2017 £000
Financial Assets		
Fair value through profit and loss	70,050	314,747
Loans & Receivables	20	72
Financial Liabilities		
Fair value through profit and loss	1,218	524
Total	**71,288**	**315,343**

c) 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

Financial instruments at Level 1 are those 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, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those 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. Quoted pooled property investments are included due to the inherently higher level of estimation required for property valuations underlying the quoted price.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

This would also include unquoted pooled property investments. Pooled property investment managers will sign off the valuation to confirm it is within expectation. The external valuer’s opinion prevails and the valuation is produced on the basis of market value in accordance with the latest edition of the RICS appraisal and valuation standards. Signed valuations are then passed to the real estate pricing team for inclusion in the relevant fund Net Asset Value (NAV).

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

	31st March 2018			
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	179,003	2,054,696	182	2,233,881
Loans & Receivables	17,921	6,450	0	24,371
	196,924	**2,061,146**	**182**	**2,258,252**
Financial Liabilities				
Fair value through profit and loss	(603)	(495)	0	(1,098)
Financial Liabilities at Amortised Cost				0
	(603)	**(495)**	**0**	**(1,098)**
Total	**196,321**	**2,060,651**	**182**	**2,257,154**

	31st March 2017			
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	440,523	1,761,123	2,178	2,203,824
Loans & Receivables	27,225	3,443		30,668
	467,748	**1,764,566**	**2,178**	**2,234,492**
Financial Liabilities				
Fair value through profit and loss	(170)	(47,315)	0	(47,485)
Financial Liabilities at Amortised Cost	(4,327)	0	0	(4,327)
	(4,497)	**(47,315)**	**0**	**(51,812)**
Total	**463,251**	**1,717,251**	**2,178**	**2,182,680**

Pension Fund 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, over the long-term, 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. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Responsibility for the Fund's risk management strategy rests with the Joint Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations.

a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio across a range of asset classes and management styles. The Fund merger during 2016/17 enhanced the level of asset class and manager diversification by reducing the combined Fund's overall equity exposure to around 72% (from 75%) and introducing new asset classes such as commercial property and diversified alternatives. The Fund retains an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Pension Fund Controller. Further details of current policy are included in the Fund's Investment Strategy Statement. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages risk by applying risk-weighted maximum exposures to individual investments and asset classes.

Other Price Risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Officers review these metrics with fund managers at each quarter.

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

In addition, a significant component of the assets transferred from the LBRuT Fund are managed on a passive or enhanced index basis, thereby reducing "active risk" across the Fund as a whole

Other Price Risk — Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors (Mercer), the Fund has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

	Potential market movements	
	2017/18	**2016/17**
UK equities	15.6%	15.7%
Overseas equities	17.6%	17.8%
UK Fixed Interest Gilts	7.0%	8.2%
UK Index-Linked Gilts	9.6%	9.3%
UK Non-Government Bonds	7.2%	8.5%
UK Non-Government Index-Linked	9.6%	9.3%
Overseas Bonds	9.9%	11.7%
Multi-Asset Credit	7.1%	7.8%
Diversified Growth Fund	10.2%	10.5%
Pooled property investments	14.1%	14.1%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This means that the degree of price variance indicated is the maximum that would be anticipated in two out of every three years. The analysis includes variances in the sterling values of overseas assets based in currency movements.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

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

Asset type	Value at 31st March 2017	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UK Equities	631,241	15.7%	730,346	532,136
Overseas Equities	937,044	17.8%	1,103,838	770,250
UK Fixed Interest Gilts	51,387	8.2%	55,601	47,173
UK Index-Linked Gilts	47,169	9.3%	51,556	42,782
UK Non-Government Bonds	144,887	8.5%	157,202	132,572
UK Non-Government Index Linked	5,396	9.3%	5,898	4,894
Overseas Bonds	77,983	11.7%	87,107	68,859
Multi-Asset Credit	105,417	7.8%	113,640	97,194
Diversified Growth Fund	89,774	10.5%	99,200	80,348
Pooled Property Investments	66,175	14.1%	75,506	56,844
Total Assets Invested	2,156,473		2,479,893	1,833,053

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31st March 2018 and 31st March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31st March 2018 £000	31st March 2017 £000
Asset Type		
Cash and Cash Equivalents	16,621	21,781
Fixed Interest Securities	184,650	181,996
Fixed Income Pooled Funds	253,954	250,243
Total	**455,225**	**454,020**

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Fund reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by finance officers.

Government bond futures are used to manage interest rate risk.

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. The Fund's long-term average rates are expected to move less than 50 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis point change in interest rates.

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

	Carrying Amount 31st March 2017	Change in Year in Net Assets Available to Pay Benefits +100bps	-100bps
	£000	£000	£000
Asset Type			
Cash and Cash Equivalents	21,781	218	(218)
Fixed Interest Securities	181,996	1,820	(1,820)
Fixed Income Pooled Funds	250,243	2,502	(2,502)
Total	**454,020**	**4,540**	**(4,540)**

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 the functional currency of the Fund (UK sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from outside of the market on which those securities are quoted. Over the long-term currency rates reflect value in a particular territory and to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold. Historically, the Fund managed this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Joint Pensions Committee for each quarter of the year. However, the Fund has recently opted to use currency hedging as a risk mitigation tool.

The following table summarises the Fund's currency exposure as at 31st March 2018 and at the previous year end:

	31st March 2018	31st March 2017
Currency Exposure - Asset Type	**£000**	**£000**
Overseas Cash	921	739
Overseas Unit Trust	1,018,574	705,536
Overseas Securities (quoted)	5,170	242,346
Overseas Public Sector Bonds (quoted)	3,080	6,558
Overseas Corporate Bonds (quoted)	73,108	60,587
Total Overseas Assets	**1,100,853**	**1,015,766**

Currency risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisor (Mercer), the Fund considers the likely volatility associated with foreign exchange rate movements to be 10% in 2017/18 (10% in 2016/17) (as measured by one standard deviation).

It should be noted that the Fund over the course of the year is establishing a currency hedging overlay to hedge approximately 50% of its overseas currency exposure. Therefore the below gains and losses on the sterling value of overseas assets will be offset by the currency hedging arrangement, reducing the volatility associated with foreign exchange rate movements.

A 10% fluctuation in the currency is considered reasonable based on the fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Carrying Amount 31st March 2018	Change in Year in Net Assets Available to Pay Benefits	
		+100bps	-100bps
Currency Exposure - Asset Type	**£000**	**£000**	**£000**
Overseas Cash	921	92	(92)
Overseas Unit Trust	1,018,574	101,857	(101,857)
Overseas Securities (quoted)	5,170	517	(517)
Overseas Public Sector Bonds (quoted)	3,080	308	(308)
Overseas Corporate Bonds (quoted)	73,108	7,311	(7,311)
Total Overseas Assets	**1,100,853**	**110,085**	**(110,085)**

	Carrying Amount 31st March 2017	Change in Year in Net Assets Available to Pay Benefits	
		+10%	-10%
Currency Exposure - Asset Type	**£000**	**£000**	**£000**
Overseas Cash	739	74	(74)
Overseas Unit Trust	705,536	70,554	(70,554)
Overseas Securities (quoted)	242,346	24,235	(24,235)
Overseas Public Sector Bonds (quoted)	6,558	656	(656)
Overseas Corporate Bonds (quoted)	60,587	6,059	(6,059)
Total Overseas Assets	**1,015,766**	**101,578**	**(101,578)**

b) 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. 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.

In managing cash balances held the Fund follows the risk management approach set out in the Treasury Management Strategy of Wandsworth Borough Council as the administering authority (the Council).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have a triple A rating from a leading ratings agency.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31st March 2018 was £16m (£21m in 2016/17).

This was held with the following institutions:

	Rating	Balances at 31st March 2018 £000	Balances at 31st March 2017 £000
Moneymarket Funds			
NTGI Global Cash Fund	Aaa	16,275	21,228
Bank Deposit Accounts			
Variation margin		346	730
Bank Current Accounts			
NT custody cash accounts		0	(177)
Held with the Council's Bank		7,905	2,480
Total		**24,526**	**24,261**

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly. As part of the review the Fund's exposure to lower rated bonds is monitored to ensure the risk of default is managed. The table below shows the credit rating of the Fund's fixed interest securities as at 31st March 2018. These investments exclude the two Multi Asset Credit managers.

Credit Rating	Balance at 31st March 2018	Balance at 31st March 2017
	£'000	£'000
AAA	14,516	11,276
AA+	0	38,497
AA	114,787	80,439
AA-	0	0
A+	0	2,564
A	59,133	37,131
A-	0	22,263
BBB+	0	35,906
BBB	122,739	56,494
BBB-	0	21,968
BB+	0	3,717
BB	15,073	6,885
BB-	0	986
B+	0	0
B	1,073	3,741
B-	0	757
Other	4,518	4,197
	331,839	**326,821**

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Fund has immediate access to cash balances held by the administering authority. Balances held by the custodian are accessible subject to any commitments of the fund manager in whose custody account it is held.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31st March 2018 the value of illiquid assets was £3.3m, which represented 0.15% of the total fund assets (£0.8m in 2016/17, which represented 0.04% of the total fund assets).

Officers prepare periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities in the accounts at 31st March 2018 are due within one year.

d) Refinancing Risk

The Fund has no refinancing risk that is distinct from that addressed by its fixed interest managers as part of their portfolio management approach.

Pension Fund Note 16 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2016. As noted previously, due to the fund merger, two separate valuations were carried out as at the above date, although both valuations were carried out by the same actuary using common assumptions.

The key elements of the funding policy reflected in both valuations are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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

The actuary has set a range of contribution rates appropriate to funding position of individual employers.

Financial Assumptions

Assumptions as at	31st March 2018 % p.a.	Real
Discount Rate	4.7%	2.3%
Salary Increases		
- Short Term	2.4%	
- Long Term	3.9%	1.5%
CPI Increases	2.4%	
Pensions Increases	2.4%	

Historic mortality assumptions

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

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HM Revenue & Customs limits.

Pension Fund Note 17 Actuarial Present Value of Promised Retirement Benefits for the Purpose of IAS 26

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. This basis is required under IAS 26.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Pension Fund Note 16). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuary has also used:

- the results of the valuation as at 31 March 2016 which was carried out for funding purposes and the 31 March 2017 IAS 26 report for accounting purposes;
- estimated whole Fund income and expenditure items for the period to 31 March 2018;

- estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 March 208; and
- details of any new early retirements for the period to 31 March 2018 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Demographic/Statistical Assumptions

The Fund actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31st March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life Expectancy	31st March 2018	31st March 2017
Retiring Today:		
- Male	24.5	24.4
- Female	26.1	26.0
Retiring in 20 year :		
- Male	26.8	26.6
- Female	28.4	28.3

It has also been assumed that:

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

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows:

	31st March 2018		31st March 2017	
Assumptions as at	% p.a.	% Real	% p.a.	% Real
CPI Increases	2.3		2.7	
Salary Increases	3.8	1.5	4.2	1.5
Pensions Increases	2.3		2.7	
Discount Rate	2.6		2.7	

These assumptions are set with reference to market conditions at 31st March 2018.

Our estimate of the duration of the Fund’s liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merill Lynch AA rated corporate bond curve, where the spot curve is assumed to be flat beyond the 30 year point, which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Fund’s liabilities. This approach has changed from the “spot rate” approach adopted at the previous accounting date.

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

As future pension increases are based on the Consumer Prices Index (CPI) rather than RPI, the assumption about CPI is that it will be 1.0% p.a. below RPI i.e. 2.3% p.a. This is slightly higher than the 0.9% different to RPI used at the last accounting date.

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

The actuarial present value of promised retirement benefits at 31st March 2018 was £2,817m (£2,857m as at 31st March 2017).

The net asset value available to pay benefits as at 31st March 2018 was £2,265m (£2,154m as at 31st March 2017). Therefore the net pension liability as at 31st March 2018 was £552m (£703m as at 31st March 2017). The present value of the Funded Obligation consists of £2,744m vested and £73m in respect of non-vested obligation.

The value of assets stated above as at 31st March 2018 is based on the actuary’s projection of the fund value as at 31st December 2017, so may vary from the value shown in the Net Assets Statement.

Pension Fund Note 18 Current Assets and Liabilities

	Balance at 31st March 2018	Balance at 31st March 2017
	£'000	£'000
Current Assets		
Cash at Bank	7,905	2,480
Cash in Transit	(80)	0
Contributions Due from Employers	479	840
Amount Due from HMRC	0	112
Amount Due from Richmond & Wandsworth	1,601	656
Advances to Staff	0	2
Overpaid Pensions	67	0
Fund Managers' fee rebates due	0	59
Sundry Debtors	857	34
	10,829	**4,183**
Current Liabilities		
Unpaid Benefits	(131)	(2,123)
Fund Managers' fees	(417)	(1,322)
Audit Fee	0	(32)
Amount Due to Richmond & Wandsworth	(423)	(108)
Amount Due to HMRC	(413)	(702)
Pensions Due	(5)	(9)
Pensions Due to Estate of deceased pensioner	(24)	(10)
Sundry Creditors	(413)	(21)
	(1,826)	**(4,327)**

Pension Fund Note 19 Additional Voluntary Contributions

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

	31st March 2018	31st March 2017
	£000	£000
Market Value of AVCs		
Balance at the Beginning of the Year	**4,113**	**4,060**
Investments Purchased with AVCs	424	422
Sale of Investments to settle Benefits Due to Members	(941)	(766)
Change in Value of AVCs (investment income and changes in market value)	142	397
Balance at End of the Year	**3,738**	**4,113**

In accordance with LGPS Regulations, AVCs are excluded from the Fund Account and Net Assets Statement.

Pension Fund Note 20 Related Party Transactions

Governance (Control of the Fund)

In recognition of the fund merger the former Pensions Committee was reconstituted during 2016/17 as a Joint Pensions Committee with three members from the former London Borough of Richmond Pension Fund Committee being co-opted. Of the nine members serving on the Committee, 1 is in receipt of a LGPS pension and 4 others have a deferred benefit in the scheme.

Each member of the Pension Fund Committee is required to declare their interests.

The Council charged the Pension Fund £659,365 for expenses incurred in administering the Fund in 2017/18.

Details of how the scheme benefits are administered can be found at:

www.lgps.org.uk

Wandsworth Council and Richmond Council under the Shared Staffing Arrangement (SSA)

Wandsworth Pension Fund is administered by Wandsworth Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The key officers responsible for the Pension Fund and all jointly employed as part of the SSA.

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

They are all active members of the LGPS as SSA employees. In addition Mr C Buss (former Director of Finance and Deputy Chief Executive) and Mr P Harris (former Pension Fund Controller), retired from service during 2016/17 or in early 2017/18 and are in receipt of a pension.

The transactions between the Fund and SSA are in respect of the services provided in administering the Fund, and with the councils as employers in the Fund.

The Council's charges for administration of and the provision of associated services to the Fund are included in the totals in Pension Fund Note 11 Management Expenses, including £745k in Administration Costs and £160k in Oversight & Governance Costs. This includes an element of the salary of the Director of Resources and Deputy Chief Executive. His total remuneration is required to be disclosed in the councils' accounts due to his role. The figures given below reflect the total remuneration, not the value attributable to the Fund:

2017/18	**Salary (including fees and allowances)**	**Bonuses**	**Remuneration excluding pension contributions 2017/18**	**Employers pension contribution**	**Remuneration including pension contributions 2017/18**
Director of Resources and Deputy Chief Executive - M. Maidment	105,226	3,564	**108,790**	19,582	**128,372**

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

	WBC	RuT	SSA
Employer's contributions			
- Normal	6,150	2,949	18,006
- Deficit	-	3,639	-
- Augmentation (Strain costs)	327	843	1,784

Pension Fund Note 21 Contractual Commitments

There are no outstanding capital commitments (investments) at 31st March 2018 (nil in 2016/17).

Wandsworth Council Pension Fund

Actuary's Statement as at 31 March 2018

Introduction

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

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

This statement is in respect of the combined Fund.

Asset value and funding level

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

London Borough of Richmond Upon Thames Pension Fund

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

Wandsworth Council Pension Fund

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

Contribution rates

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

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

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

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer. Details of these secondary adjustments can be found in each Fund's 2016 actuarial valuation report.

Assumptions

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

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

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

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we estimate that the funding position as at 31 March 2018 has improved compared with the position as at 31 March 2016 although the primary rate has also increased due to changes in market conditions.

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

Graeme D Muir FFA
Partner, Barnett Waddingham LLP

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Pension Fund Accounts Reporting Requirement

Wandsworth Council Pension Fund - IAS26 Disclosures 31 March 2018

Introduction

We have been instructed by Wandsworth Council, the administering authority to the Wandsworth Council Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2018.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

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

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

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

Valuation data

Data sources

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

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2017 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2018;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 March 2018; and
- Details of any new early retirements for the period to 31 March 2018 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

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

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

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

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

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2018.

We have been notified of 52 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £728,400.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £3,810,000. This figure has been included within the service cost in the statement of profit or loss.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 6%. The actual return on Fund assets over the year may be different.

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The estimated asset allocation for Wandsworth Council Pension Fund as at 31 March 2018 is as follows:

Asset breakdown	31 Mar 2018		31 Mar 2017	
	£000s	%	£000s	%
Equities	1,628,545	72%	1,542,942	72%
Gilts	102,914	5%	106,653	5%
Other bonds	228,926	10%	216,116	10%
Property	71,607	3%	66,730	3%
Cash	31,870	1%	24,435	1%
Multi-asset fund	201,198	9%	196,937	9%
Total	2,265,060	100%	2,153,813	100%

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2018 is likely to be different from that shown due to estimation techniques.

Unfunded benefits

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

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2018, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2018	31 Mar 2017
Retiring today			
	Males	24.5	24.4
	Females	26.1	26.0
Retiring in 20 years			
	Males	26.8	26.6
	Females	28.4	28.3

We have also assumed that:

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

Financial assumptions

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

Assumptions as at	31 Mar 2018	31 Mar 2017	30 Sep 2016
	% p.a.	% p.a.	% p.a.
Discount rate	2.55%	2.70%	2.30%
Pension increases	2.30%	2.70%	2.50%
Salary increases	3.80%	4.20%	4.00%

These assumptions are set with reference to market conditions at 31 March 2018.

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

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.3% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where we assumed that CPI was 0.9% lower than RPI.

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

Results and disclosures

We estimate that the net liability as at 31 March 2018 is a liability of £552,236,000.

The results of our calculations for the year ended 31 March 2018 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2018;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

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

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

Graeme Muir FFA
Partner

Appendix 1 Statement of financial position as at 31 March 2018

Net pension asset as at	31 Mar 2018 £000s	31 Mar 2017 £000s	30 Sep 2016 £000s
Present value of the defined benefit obligation	2,817,296	2,856,531	1,865,195
Fair value of Fund assets (bid value)	2,265,060	2,153,813	1,366,320
Net liability in balance sheet	552,236	702,718	498,875

*Present value of funded obligation consists of £2,744,351,000 in respect of vested obligation and £72,945,000 in respect of non-vested obligation.

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Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2018

Please note that the figures shown for the period to 31 March 2017 are for the six month period from 30 September 2016 as disclosed in the Fund's 31 March 2017 IAS26 report.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2018 £000s	Period to 31 Mar 2017 £000s
Opening defined benefit obligation	2,856,531	1,865,195
Current service cost	78,012	42,059
Interest cost	76,327	33,156
Change in financial assumptions	(132,840)	(107,842)
Change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	1,062,594
Estimated benefits paid net of transfers in	(77,272)	(47,472)
Past service costs, including curtailments	3,810	2,245
Contributions by Scheme participants and other employers	12,728	6,596
Unfunded pension payments	-	-
Closing defined benefit obligation	2,817,296	2,856,531

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2018 £000s	Period to 31 Mar 2017 £000s
Opening fair value of Fund assets	2,153,813	1,366,320
Interest on assets	57,901	23,154
Return on assets less interest	73,105	110,956
Other actuarial gains/(losses)	-	-
Administration expenses	(993)	(1,388)
Contributions by employer including unfunded	45,778	21,074
Contributions by Scheme participants and other employers	12,728	6,596
Estimated benefits paid plus unfunded net of transfers in	(77,272)	(47,472)
Settlement prices received / (paid)	-	674,573
Closing Fair value of Fund assets	2,265,060	2,153,813

The total return on the Fund's assets for the year to 31 March 2018 is £131,006,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	2,817,296	
Sensitivity to	+0.1%	-0.1%
Discount rate	2,766,867	2,868,694
Long term salary increase	2,821,246	2,813,367
Pension increases and deferred revaluation	2,864,820	2,770,625
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	2,924,533	2,714,115

SECTION 7 - FUNDING STRATEGY STATEMENT

WANDSWORTH COUNCIL PENSION FUND

CONTENTS

Funding Strategy Statement – Scope

Following the Shared Staffing Arrangement between Richmond and Wandsworth Councils which commenced on the 1st October 2016 all assets and liabilities of the Richmond Pension Fund transferred to the Wandsworth Pension Fund (SI 2016 No 1241). References to the "Council" mean Richmond and Wandsworth Councils as appropriate.

Funding Strategy Statement – Purpose

Every local authority that administers a pension fund is required to obtain an actuarial valuation of the assets and liabilities as at 31st March 2004, and every third anniversary afterwards. The main purpose of the valuation is to determine the rate at which the participating employers should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the fund. Revised contribution rates, as certified by the actuary, must be implemented on 1st April of the following calendar year.

The employer contribution rate is the net sum of three elements:

- the future service contribution rate, required to provide for benefits accruing to active members of the fund over the year following the valuation date,
- the past service adjustment, spreading over a number of years any surplus or shortfall in funding at the valuation date, and
- an individual adjustment for the employer, if the actuary considers it appropriate to take account of any circumstances peculiar to the employer.

1. Every valuation relies on a number of assumptions to calculate the funding level at the valuation date and the future service contribution rate. A degree of judgement is then required about how the past service adjustment should reflect any surplus or shortfall, and about the need for individual adjustments. Regulation 58 of the Local Government Pension Scheme Regulations 2013 require every local authority that administers a pension fund to prepare, maintain and publish a written statement setting out their funding strategy, addressing these assumptions and judgements. The Council's actuary, when undertaking triennial valuations, must then have regard to this statement.
2. The purpose of this statement, therefore, is to establish the general strategy for ensuring appropriate assumptions and judgements in valuations of the Wandsworth Council Pension Fund. In particular, the statement should clarify the potentially conflicting legal requirements for the Fund's actuary:

   a. to specify employer contribution rates that secure the solvency of the Fund on a prudent basis; and

   b. to have regard to the desirability of maintaining as nearly constant employer contribution rates as possible.
3. In preparing the funding strategy statement, each authority must have regard to its own Statement of Investment Principles (SIP) (Investment Strategy Statement (ISS) from 1st April 2017) and to guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Consultation with all employers participating in the fund is also required.

4. This statement must be revised and published again to reflect any material change in policy or in the ISS. CIPFA recommend that it should be reviewed formally at least every three years, in advance of the triennial valuation.

Pension Fund – Purpose, Aims and Scope

5. The purpose of the Wandsworth Council Pension Fund is to:

   a. pay pensions, retirement and death lump sums, other scheme benefits, refunds of employees' contributions, transfers of pension rights to other pension schemes, and administration costs,

   b. from payments of employees' and employers' contributions, payments from other funds in respect of transferred pension rights, and investment income and realisations,

   in accordance with the Local Government Pension Scheme Regulations.

6. The aims of the Fund are therefore, with a prudent long-term view, to:

   a. ensure that sufficient resources are available to meet all liabilities as they fall due;

   b. maximise the returns from investments within reasonable risk limits;

   c. have regard to the desirability of maintaining as nearly constant employer contribution rates as possible; and

   d. enable and assist participating employers to manage their liabilities effectively.

7. The scope of the Fund, in terms of employers and active membership, is almost entirely limited to eligible employees in Council-funded functions, and predominantly direct employees of the Council itself. Wandsworth Council, as the administering authority, has for many years tended to resist the admission to the Fund of other employers, in view of the risk that their liabilities would ultimately fall on the Council. But all Wandsworth and Richmond schools have a degree of autonomy in their financial affairs that warrants special consultation and consideration about the impact of funding proposals. Academies may be viewed as separate employers as they have financial independence from the Council.

Responsibilities of key parties

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

   a. collect employer and employee contributions from employers;

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

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

   d. manage the valuation process in consultation with the fund's actuary;

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

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

9. School employers, admitted bodies and Wandsworth and Richmond Councils as employer should:
    a. deduct contributions from employees' pay correctly;
    b. pay all contributions, including their own as determined by the actuary, promptly by the due date;
    c. exercise discretions within the regulatory framework;
    d. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
    e. notify the administering authority promptly of all changes to membership or, as may be proposed, which could affect future funding.
10. The Fund's actuary should set employer contribution rates at levels that secure solvency, having regard to:
    a. the Fund's existing and prospective liabilities;
    b. circumstances peculiar to a particular employer or pool of employers;
    c. the desirability of maintaining as nearly a constant rate as possible; and
    d. this Funding Strategy Statement.

    The actuary also prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.

Fund Investment Policy

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

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

13. The practical effect of this policy is that the majority of the Fund's investments are generally held in equities. As the Fund is still attracting new members and can afford to take a long view, this degree of equity weighting is considered acceptable. It is also considered generally desirable in view of the higher return that may reasonably be expected in the long term from investments carrying higher risk. This expectation is supported by historical analysis showing that equities have out-performed bonds over most, but by no means all, periods. When determining the asset allocation consideration is given to cash flow requirements to maximise the use of dividend and income payments to meet the shortfall between new contributions and pension liabiliites.

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

this assumption will be decided for each valuation, having regard to market expectations at the time but with a significant allowance for prudence.

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

Assumptions, risks and counter-measures

16. There are many risks that could impact upon employer contribution rates. The key risks and the measures that could be taken to counter them are discussed below. Many of these are the subject of assumptions that have to be made in the course of each actuarial valuation. Although these assumptions refer to the long term, the risk for employers potentially crystallises at the next triennial valuation. If the assumptions made at one valuation do not appear to be sustainable three years later, and then have to be superseded by more adverse assumptions, there will be consequential increases in contribution rates. Conversely, substantial prudence at one valuation may be rewarded by a reduction in contribution rates three years later.

17. The main output of the valuation is the employer contribution rates to be paid over many years into the future. So called "marked to market" valuations have the potential to produce quite different valuation results and levels of required employer contributions depending on actual market conditions on the day of the valuation. Thus, to determine the value of liabilities, rather than adopt assumptions based on "spot" yields and market conditions on the actual valuation date, we use the average yields over the 6 month period spanning the valuation date. Similarly in the valuation of assets used for valuation purposes we derive average market values of assets over the same 6 month period. This approach is akin to carrying out daily valuations over a 6 month period and then determining the average valuation result. The purpose of this averaging or smoothing process is to help stabilise levels of employer contributions as required by the Regulations.

Investment Performance

18. As contributions are being invested now to provide for benefits payable in the future (and to make good any deficit), then part of the cost of providing the benefits can be met from investment returns. The higher the rate of return achieved by the assets, the lower the contributions that will be required in future to meet the cost of the benefits. Therefore, a key assumption in any valuation is the anticipated returns from assets in the future.

19. Investment managers may under-perform. Investment markets may perform worse than expected. Market yields may be lower. Actuaries advise there is a substantial probability

that equities will underperform bonds even over a twenty-year period. Some of these risks are controlled to some degree by the framework for investment management described in the SIP. The prudent long-term view and the desirability of maintaining as nearly constant employer contribution rates as possible, require the adoption of an AOA with a significant allowance for prudence in order to counter these risks. The allowance will be higher when investment market values are considered to be high.

Pay and Price Inflation

20. Pay growth enhances the future pension benefits of the active members of the Fund. To make the valuation assumption as robust as possible, the actuary has regard to the trend in national real earnings growth, to the experience of promotional increases in local government generally, and to any differences in the recent experience of the Wandsworth Fund. Employers are naturally mindful of the direct effect of pay rises on their budgets and local taxes; they should also be alert to the impact on their pension contributions if pay rises exceed the valuation assumptions, particularly for employees with long periods of service.

21. Annual increases in pensioner and deferred pensioner benefits are linked to price inflation. At each valuation, market expectations of future inflation can be calculated from the difference between the yields on conventional and index-linked government bonds.

Longevity

22. Life expectancy is a key determinant in the valuation of prospective liabilities. The actuarial valuation reflects recent experience of pensioner mortality in the Wandsworth Pension Fund. Mortality investigations over the last few years have concluded that the population across the UK is living longer and that recent improvements have been at a faster rate than seen in the past. However, experience does vary across the country and from Fund to Fund. Over the long term longevity is expected to increase in line with the Actuarial Profession's Continuous Mortality Investigation ("CMI") 2015 projected improvements with a long term rate of between 1.25-1.75%p.a. The risk of associated additional liabilities emerging at subsequent valuations is one of the factors to be considered when deciding the prudent AOA and the appropriate deficit/surplus recovery period.

Early Retirement Costs

23. The Council ensures due control of all early retirement costs by charging against the revenue account of the employing service a lump sum representing the present value of releasing benefits before the date on which they could have been taken by the employee without reduction. Costs of added years at the time of retirement are treated similarly.

Regulatory

24. Actuarial valuations do not anticipate potential changes to the local government pension scheme or to national pension requirements. But the potential for associated additional or reduced liabilities emerging at subsequent valuations is one of the factors to be

considered when deciding the prudent AOA and the appropriate deficit/surplus recovery period.

25. The Council, as employer, takes advantage of opportunities to respond to consultation on proposed changes, taking account of their likely impact on local authority budgets in particular.

Governance

26. The Council has avoided the risks associated with poor communication in multi-employer funds by mostly restricting the scope of the Wandsworth Fund to eligible employees in Council-funded functions.

Employer Contribution Rates

Funding Level

27. The funding level determined in the actuarial valuation is the result of comparing the assets held in the fund with the existing and future liabilities already accrued in respect of the service of fund members up to the valuation date. The prudential target is to achieve/maintain 100% funding, with assets and liabilities in balance.

28. When the funding level shows either a surplus or shortfall, the employer contribution rate must include a "past service adjustment", with a view to restoring balance within a reasonable recovery period.

Surplus and Shortfall Recovery Periods

29. The CIPFA guidance does not prescribe an optimum target period for securing full funding. It notes the need to avoid short-term horizons, provide stability in employer contributions, and to take advantage of the constitutional permanence of local government and the scheme's statutory status. Where this is thought prudentially appropriate and relevant to local circumstances, the guidance suggests, these considerations would allow longer-term recovery periods for shortfalls than those in the private sector.

30. A funding shortfall implies that employment costs for the workforce have previously been understated, so prudence implies that any shortfall should be recovered within the remaining working-life of the current workforce. The calculation of the average remaining working-life may allow for weighting by compound-interest factors at the rate used for the valuation. Adoption of this recovery period could be reinforced by the desirability of maintaining as nearly constant employer contribution rates as possible: for example, a high proportion of retirements over the subsequent three to nine years would force sharply increasing contribution rates in respect of the remaining workforce, if the valuation assumptions proved sustainable.

31. On the other hand, the desirability of stable contribution rates might support the adoption of a longer recovery period, to the extent that any shortfall were considered attributable to recent unusually adverse volatility in the investment markets that may prudently be expected to reverse before the next valuation.

32. Stable contribution rates are not the only mechanism available to the Council for protecting local taxpayers from the impact of market volatility. Reserves for pension

liabilities may be established as soon as market conditions suggest significant adverse impact at the next valuation, and these provisions could be applied to offset the effect of the consequential increase in employer contributions. Other participating employers and schools are also empowered to establish provisions and reserves to have a similar effect within their own budgets. For these employers and for the Council, the scope for such provisions and reserves depends upon the degree of other financial pressures at the time. In the event of the funding level showing a surplus, this should be spread over thirty years on grounds of both prudence and the desirability of maintaining as nearly constant employer contribution rates as possible.

Stepped Contribution Changes

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

Pooling or individual adjustment

34. Generally, the Council expects to have a common contribution rate for all employers, other than transferee admitted bodies and academies, without individual adjustment. However, there are risks that any deficit is not repaid at any point at which the employer ceases to exist, in which case the liability would fall on the Council and be reflected in council tax. In respect of new employers the maximum deficit recovery periods for each employer is restricted according to the period over which the Pension Fund can be assured that an adequate funding stream in respect of that employer would be available. Consequential decisions on pooling of employers together to share liabilities and funding terms are then made to reflect any commonality between employers. The Council reserves the right, however, to require additional contributions when employers take decisions that incur substantially disproportionate liabilities for the Fund.

Version	Nature of Change	Implemented
V1	Initial Creation	April 2005
V2	Reflecting the 2007 Valuation	April 2008
V3	Reflecting the 2010 Valuation and a move to risk based outcome modelling	April 2011
V4	Reflecting the 2013 Valuation and a move to economic rate discount model	April 2014 subject to amendment
V5	Reflecting the 2016 Valuation and the transfer of assets and liabilities from the Richmond Council Pension Fund	January 2017 subject to amendment

SECTION 8 – INVESTMENT STRATEGY STATEMENT

Investment Strategy Statement (May 2017)

Introduction and background

1. This is the Investment Strategy Statement ("ISS") of the Wandsworth Pension Fund ("the Fund"), which is administered by Wandsworth Council, ("the Administering Authority") Wandsworth Council's Pension Fund is established in accordance with statute to provide death and retirement benefits for all eligible employees, mainly staff from Richmond and Wandsworth Councils and incorporates the former Richmond Pension Fund . The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

2. The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Mercer Limited. The Committee acts on the delegated authority of the Administering Authority.

3. The ISS, which was originally approved by the Committee on 7th March 2017 and in this form, with a revised target asset allocation, on 23rd May 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

4. The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (dated 26th January 2017).

The suitability of particular investments and types of investments

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

6. The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

7. The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

8. It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is as follows:

9. The investment management strategy is to appoint expert fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with the investment manager having taken advise from the Fund's appointed advisor on both asset

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

10. The approach employs a combination of specialist active managers plus a passive manager in order to give diversification taking into account appetite for (active) risk, management cost factors and empirical evidence relating to the success of particular approaches in different markets.

11. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

12. In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

    - Suitability given the Fund's level of funding and liability profile
    - The level of expected risk
    - Outlook for asset returns
    - Ongoing income requirements for the Fund

13. The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation In order to minimise trading costs any rebalancing is limited to the mid-point of the difference between the benchmark allocation and the relevant boundary of the tolerance range.

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

15. Exceptionally, there may be market conditions that dictate against this rebalancing strategy being implemented or the pace at which rebalancing occurs and the Director of Resources is authorised to depart from this strategy if he deems that circumstances indicate a departure.

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

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

18. The Fund's Investment Beliefs are:

    - Enhanced returns are delivered through long term investing
    - The strength of the Fund's covenant enables the fund to take a long term view for it's investment strategy
    - Strategic Asset Allocation and the timing of material changes are the most important drivers of the fund's financial outcomes
    - Equities are expected to generate superior long term returns
    - Alternative asset classes will be considered to enhance returns and diversification
    - Whilst fees and costs need to be controlled, return net of fees will be the key performance indicator for the Fund.

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

Investment of money in a wide variety of investments

Asset classes

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

20. The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

21. The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

Table 1: Fund allocation

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

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

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

Restrictions on investment

24. The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed not to impose its own restrictions as all other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice. However, should any one fund manager (including money invested in sub-funds within the London CIV) hold more that 15% of the Fund's assets this will be reported to the next Pension Committee for authorisation to continue or rebalance to below 15%. No fund manager shall hold (including money invested via the London CIV) more than 25% of the Fund's assets. Percentages will be rounded to the nearest whole number.

Managers

25. The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

26. Future Manager selection will be the responsibility of the London CIV, and therefore the Committee will need to be satisfied that the benchmarks set by the CIV meet the Fund's requirements. Governance arrangements for the CIV are dealt with in paragraphs 58-61.

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

27. The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

28. The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

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

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

31. Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

32. The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set

taking into account asset liability modelling which focused on probability of success and level of downside risk. The Committee has taken into account that the Fund is sub-divided into 3 pots to reflect the Shared Staffing Arrangement (SSA) between Richmond and Wandsworth Councils. The results from the 2016 analysis highlighted these pots were funded at the following levels: Richmond (90%); SSA (100%); and Wandsworth (102%). This analysis will be revisited as part of the 2019 valuation process. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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

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

Asset risks

35. Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

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

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

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

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

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

41. The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

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

43. The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and have a significant proportion of the Scheme's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. The ability to continue with this approach will be dependent on the arrangements agreed with the London CIV who will be responsible for appointing Fund Managers on an ongoing basis

Other provider risk

44. Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

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

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

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

Cash flow Risk

48. A shortfall in liquid assets or eligible collateral relative to short term liabilities (e.g. pension payments) could create the risk of selling a significant proportion of assets at an unreasonably low price to fund these payments. The Pension Fund has insufficient income from contributions to meet its current pension liabilities however is cash positive when dividends and interest is included, so that cash reserves are normally sufficient to meet any payments. At each actuarial valuation (every three years) a sensitivity analysis determines whether liquidity and cash flow needs are likely to be met while testing for adverse market effects and potential asset sales to meet pension payments. Additionally the Council will ensure that all future payments can be met and that sufficient assets are held in liquid investments (realisable in three months or less) or in eligible collateral, such as government bonds.

49. The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

50. A more comprehensive review of risks to which the Fund is exposed and the approach to managing these risks is undertaken by the Wandsworth Local Pension Board whose Minutes are reported to the Pensions Committee. Should any significant concerns be highlighted the Chair of the Board would prepare a report to the Committee.

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

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

Assets to be invested in the CIV

52. The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The Fund will transition liquid assets into the London CIV when there are suitable investment strategies that meet the asset allocation and investment strategy available on the London CIV platform. They key criteria for assessment of the CIV solutions will be as follows:

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

54. That there is a clear financial benefit to the Fund in investing in the solution offered by the CIV, should a change of provider be necessary.

55. At the time of preparing this statement the Fund has already invested the following assets via the London CIV:

Table 2: Fund allocation to London CIV

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

56. At the time of preparing this statement the Fund has elected not to invest the following assets via the London CIV:

Table 3: Fund allocation outside London CIV

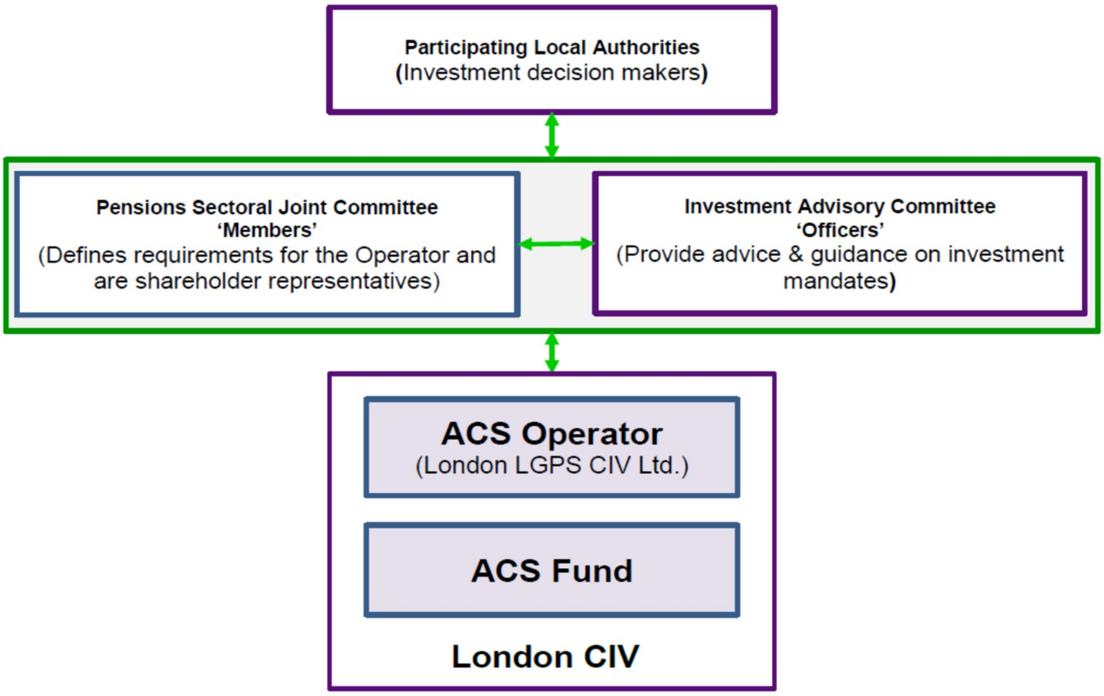
Asset class	Manager	% of Fund assets as 31/12/16	Benchmark and performance objecti	Reason for not investing via the XY Pool
Passive / Enhanced Index – Multi Asset	UBS, Legal and Gene and Henderson.	35.7	FTSE / iBoxx indices (various) [+0.55% Enhanced Index]	Not value for money t transfer/no equivalent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

57. Any assets not currently invested in the Pool will be reviewed annually to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

Structure and governance of the London CIV

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

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



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

61. The Fund will seek to have representatives on both Member and Officer led Committees within the London CIV and any key updates from those meetings and/or other information provided by the CIV shall be reported to Pension Committee.

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

62. The Council has a paramount fiduciary duty to obtain the best possible financial return on the Fund investments against a suitable degree of risk. It also considers a company's good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of the company and improve investment returns to its shareholders.

63. It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in

the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

64. The investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

65. The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors.

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

67. The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

68. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

69. To date, the Fund's approach to Social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties having had due regard to the Stewardship Code. Any identified breaches of the Stewardship Code would be reported to the Pensions Committee.

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

Voting rights

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

71. The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Director of Resources monitors the voting decisions made by all its investment managers on a regular basis.

72. It should be noted that as the fund’s investments will largely be held in the London CIV and those investments are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

Stewardship

73. The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis

SECTION 9 - COMMUNICATIONS POLICY STATEMENT

1. The Council is required by regulation 61 of the Local Government Pension Scheme Regulations 2013 to maintain and publish a communications policy statement. The regulations are reproduced below : -

"Statements of policy concerning communications with members and Scheme employers

61. —(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with

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

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

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

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2)."

2. Who We Communicate With

Scheme Members (Current, Deferred, Pensioner, Dependant)
Representatives of Scheme Members
Prospective Scheme Members
Departmental Personnel Sections and Service Managers
Employing Authorities

3. Methods of Communication – Scheme Members and Prospective Members

(a) Scheme Literature

A link to a Scheme booklet is provided to all employees on commencing employment. Changes in the Scheme regulations are notified to all members via newsletters. The Scheme booklet is updated to take account of Scheme changes. The link to the Scheme booklet is available on the Council's website, from the member's departmental Personnel Section or employer and direct from the Pensions Service.

(b) Website/Information Technology

The Council's website (www.wandsworth.gov.uk/pensions**)** includes web pages for Scheme members. The pages hold details of the Scheme together with newsletters and forms. The Service can be contacted by email at pensions@wandsworth.gov.uk. Scheme information is also available online via the Local Government Employers' Organisation's national website at www.lgpsregs.org/ and www.lgpsmember.org/ Access to the Scheme regulations is available at the Pensions Shared Service office or online using the website at www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php Newsletters for current members are distributed by email with hard copies available on request.

(c) Member Support

Members can contact the Pensions Service by using direct dial telephone numbers between 9:00am and 5.00pm Monday to Friday. The Service operates an "open-door" policy where members may visit the office between 9.00am and 5.00pm Monday to Friday without a pre-arranged appointment.

The Service also offers pre-arranged appointments between 7.30am and 6.30pm Monday to Friday. The Pensions Service undertakes training on behalf of the Council's Learning and Development Centre by way of contributing to the Corporate Induction training giving an overview of the Scheme. The Service also plays a major role in the Planning for Retirement courses. These courses are available through the Council's Learning and Development Centre. Seminars are also arranged by individual Departments from time to time.

(d) Alternative Requirements

Newsletters invite members to contact the Service if they wish to receive information in a non-standard format (for example large print, Braille or on audiotape). The Service has access to transcription, translating and interpreting services if required. Correspondence to members is sent in increased font sizes according to individual members' requests.

(e)Benefit Statements

Active and deferred members are sent annual benefit statements.

(f)Pay advice slips / P60s / Pensions Increase

Pay advice slips are provided to pensioner members monthly and a form P60 is sent annually. Pensioner members are sent a letter annually with details of the new amount of pension following the yearly Pensions Increase. Pensioner members receive newsletters.

(g)Report and Accounts

The Pension Fund Annual Report is produced and available to all members at www.wandsworth.gov.uk/pensions. The availability of the report is notified via newsletters included the offer of a paper copy on request. The report includes details of the Pension Fund Accounts, the Pension Fund investment performance, the

Council's policies on Governance, Investment Principles, Funding Strategy and Communications Statement.

(h)Performance Monitoring
The Pensions Service is committed to continuous service improvements. The Service monitors its performance and reports this quarterly. Performance achievements are published in the annual Business Plan, newsletters and Pension Fund Annual Report. The Pension Fund Annual Report and newsletters are available on the Council's website.

Communicating with Representatives of Scheme Members

The range of information and ways of communicating that is available to Scheme members is also available to their representatives (with the exception of in-house training).

Communicating with Prospective Scheme Members

The range of information and ways of communicating that is available to Scheme members is also available to employees who are not currently members of the Scheme but may be considering joining (including the in-house training).

Communicating with Employing Authorities

The Council is the main employer however Council schools have some independence. The Pensions Service provides a Schools Procedure manual to assist schools in carrying out their statutory duties. The Service also offers training for School Administrative Officers or Bursars/Finance Officers and undertakes visits. The full range of Scheme information is provided.

Communications Policy Statement 2017/2018 Review

In accordance with regulation 61 of the Local Government Pension Scheme Regulations 2013, the Councils' Communications Policy Statement has been reviewed as part of the production of this report. There are no material changes to the Councils' policy statement.

The Pensions Service issued newsletters to pensioner members in April and scheme employers in November and January. Updates to the webpages were made to include more information for scheme members and updates concerning the new General Date Protection Regulation. Pensioner Members received monthly pay advice slips and a P60 in April. Annual Benefit Statements were issued to active and deferred members in August. The Pension Fund Annual Report 2016/17 was completed and presented to the Pensions Committee in September.

Summary of Communication Material

Communication Document	When Made Available	Available To	Format	When Reviewed
Employees' Guide – Local Government Pension Scheme Guide	Before commencing employment / On leaving / When requested	Prospective / Active / Deferred members	Paper / Member's Website / Intranet / Audiotape	As regulations change or annually
Joining the LGPS – Other Pension Rights	Before commencing employment / When requested	Prospective / Active Members	Paper / Member's Website / Intranet	As regulations change or annually
Leaving Pensionable Employment – A Guide to Your Pension Options	On leaving the Scheme before retirement age	Active / Deferred members	Paper / Member's Website / Intranet	As regulations change or annually
Pay Advice Slips	Monthly	Pensioner Members	Paper	Annually
Form P60	Annually	Pensioner Members	Paper	Annually
Newsletters	Biannually / As required by Regulations	Prospective / Active / Pensioner Members	Paper / Member's Website/ Intranet / Audiotape	Biannually / As required
Pensions Service Annual Business Plan	On Request	All	Paper / Member's Website/ Intranet	Annually
Statutory Statements	On Request	All	Paper / Member's Website/ Intranet	Annually / As required
Pension Fund Report and Accounts	Annually	All	Paper / Member's Website / Intranet	Annually
Schools Employers' Manual	On becoming an employing authority / When requested	Employing Authorities	Paper/Intranet	Annually

Appendix 1

National Fraud Initiative reports

Report Number	Name of Report - Categories Matched	Number of Cases Matched	Pension Suspended or Abated as a Result of NFI Notification	Identified as Fraud
NFI 2014				
Report 52	Wandsworth Pensioners recorded with DWP as Deceased	59	4	0
Report 53	Wandsworth Deferred Pensioners recorded with DWP as Deceased	13	N/A	0
Report 54	Wandsworth Pensioners with another post on Wandsworth Payroll	78	0	0
Report 55	Wandsworth Pensioners with another post on another Local Authority Payroll	30	0	0
Report 56	Other LA Pensioners with Post on Wandsworth Payroll	0	0	0
	Totals	180	4	0

Comments

Report 52	55 of these cases had already been notified to the Pensions Service by next of kin or the deceased's Bank - the remaining 4 cases were immediately suspended until contact from the next of kin.
Report 53	Following the NFI notification, we contacted the last known addresses and local register offices for confirmation of death. We have had contact from next of kin in 4 of these cases.
Report 54	Of the 78 matches, 39 are members to whom the LGPS abatement rules do not apply: 7 members whose employment in their current post commenced before retirement; 24 members who have flexibly retired; 6 receiving Councillor's pensions and 2 former members of the Teachers Pensions Scheme. The remaining 39 retired members' earnings have not triggered any reduction to their pensions.
Report 55	Of the 30 matches, none of the members' earnings have triggered any reduction to their pensions.

NFI 2016

Report Number	Name of Report - Categories Matched	Number of Cases Matched	Pension Suspended or Abated as a Result of NFI Notification	Identified as Fraud
Report 52	Wandsworth Pensioners recorded with DWP as Deceased	67	8	0
Report 52	Richmond Pensioners recorded with DWP as Deceased	48	5	0
	Totals	115	13	0

Comments

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

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