

**London Borough of  
Wandsworth  
Pension Fund**

**Pension Fund Annual  
Report**

**2024/25**

**(Approved by Joint Pensions Committee September 2025)**

## Introduction

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

The report meets the requirements of the Local Government Pension Scheme Regulations (LGPS) 2013 section 57, as updated most recently by the joint Scheme Advisory Body (SAB) and Chartered Institute of Public Finance & Accountancy (CIPFA) guidance issued in April 2024 which is now compulsory. This report gives information on the governance and overall management of the Fund, with further detail on the Fund's financial position and future plans, on the administration of pension benefits and on risk management across the Fund. As a document covering all aspects of the Fund it enables both the public and employees to see how the Fund is managed and how it is performing. It also includes references to key documents details processes and objectives. It is in the interest of employers, employees and the public that the Fund is well managed and shows high returns to provide value for money for all.

The overall performance of the Fund was disappointing giving an annualised net return of 3.1% against the Local Authority average of 3.7%. This is largely due to the Fund's active equity managers producing results below their benchmark. However, over the 3 year valuation period the Fund achieved the required 4.4% discount rate.

The results of the latest actuarial valuation of the Pension Fund as at 31 March 2022 show that the Fund was 116% funded overall (after setting aside an Asset Shock Reserve), with funding levels varying between employers. This funding level includes many assumptions, and potentially the most material being the effect of the McCloud and Sargeant cases and the cost cap. The common rate of employer contribution for future services was 20.0% of pensionable pay. Employers' individual contribution rates from this process were implemented from 1 April 2023. The Fund will be undertaking a revaluation over the next year based on the 2025 position, where it is anticipated that there will an increase in funding due to an improvement in assumed future returns.

The shared pension administration service continues to provide the administration function for Camden, Merton and Waltham Forest funds with an oversight role for Bromley fund, increasing resilience and savings to all boroughs in the years to come.

Further information about the Local Government Pension Scheme can be found at:

<https://pensionssharedservice.org.uk/>

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

Looking forward to next year, staff will be engaging with the London CIV to implement the draft Pension Schemes Bill's requirement to have all LGPS assets under pool management by 31 March 2026 and reviewing governance arrangements to implement the Good Governance requirements contained in the same bill.

Fenella Merry  
Executive Director of Finance

Councillor Norman Marshall  
Chairman of Joint Pensions Committee

## Contents

|                                                                                                   |           |
|---------------------------------------------------------------------------------------------------|-----------|
| <b>1. Overall Fund Management</b>                                                                 | <b>5</b>  |
| <i>Scheme Management 2024/25</i>                                                                  | 5         |
| <i>Investment Managers and External Advisers</i>                                                  | 6         |
| <i>Risk Management</i>                                                                            | 7         |
| <b>2. Governance and Training</b>                                                                 | <b>9</b>  |
| <i>Governance Structure</i>                                                                       | 9         |
| <i>Training</i>                                                                                   | 9         |
| <i>Commentary on the Work of Joint Pensions Committee This Year</i>                               | 10        |
| <i>Commentary on the Work of Local Pensions Board This Year</i>                                   | 10        |
| <i>Conflicts of Interest</i>                                                                      | 11        |
| <i>Oversight and Governance of the Asset Pool</i>                                                 | 11        |
| <b>3. Financial Performance</b>                                                                   | <b>12</b> |
| <i>Income and Expenditure against Budget</i>                                                      | 12        |
| <i>Contribution Amounts due to the Fund from Employers and Employees</i>                          | 14        |
| <i>Late and Overdue Contributions</i>                                                             | 16        |
| <i>Overpayments</i>                                                                               | 16        |
| <i>National Fraud Initiative Results</i>                                                          | 17        |
| <b>4. Pension Fund Accounts</b>                                                                   | <b>19</b> |
| <i>Wandsworth Fund Account</i>                                                                    | 20        |
| <i>Net Assets Statement</i>                                                                       | 21        |
| <i>Notes to the Wandsworth Pension Fund Accounts</i>                                              | 22        |
| <i>Note 1 Description of the Fund</i>                                                             | 22        |
| <i>Note 2 Basis of Preparation</i>                                                                | 23        |
| <i>Note 3 Going Concern</i>                                                                       | 24        |
| <i>Note 4 Summary of Significant Accounting Policies</i>                                          | 25        |
| <i>Note 5 Critical Judgements in Applying Accounting Policies</i>                                 | 28        |
| <i>Note 6 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty</i> | 29        |
| <i>Note 7 Events After the Reporting Date</i>                                                     | 30        |
| <i>Note 8 Contributions Receivable</i>                                                            | 30        |
| <i>Note 9 Transfers In from Other Pension Funds</i>                                               | 30        |
| <i>Note 10 Benefits Payable</i>                                                                   | 31        |
| <i>Note 11 Payments To and On Account of Leavers</i>                                              | 31        |
| <i>Note 12 Management Expenses</i>                                                                | 31        |
| <i>Note 13 Investment Income</i>                                                                  | 33        |
| <i>Note 14 External Audit Costs</i>                                                               | 33        |
| <i>Note 15 Investments</i>                                                                        | 34        |
| <i>Note 16 Reconciliation of Movements in Investments and Derivatives</i>                         | 35        |
| <i>Note 17 Investments Analysed by Fund Manager</i>                                               | 37        |
| <i>Note 18 Stock Lending</i>                                                                      | 38        |
| <i>Note 19 Property Holdings</i>                                                                  | 38        |
| <i>Note 20 Analysis of Derivatives</i>                                                            | 38        |
| <i>Note 21 Fair Value – Basis of Valuation</i>                                                    | 40        |
| <i>Note 22 Fair Value Hierarchy</i>                                                               | 42        |
| <i>Note 23 Reconciliation of Fair Value Measurements within Level 3</i>                           | 43        |
| <i>Note 24 Classification of Financial Instruments</i>                                            | 44        |
| <i>Note 25 Net Gains &amp; Losses on Financial Instruments</i>                                    | 44        |
| <i>Note 26 Nature and Extent of Risks Arising from Financial Instruments</i>                      | 45        |
| <i>Note 27 Funding Arrangements</i>                                                               | 50        |
| <i>Note 28 Actuarial Present Value of Promised Retirement Benefits</i>                            | 52        |
| <i>Note 29 Long Term Assets</i>                                                                   | 54        |
| <i>Note 30 Current Assets &amp; Liabilities</i>                                                   | 54        |
| <i>Note 31 Additional Voluntary Contributions</i>                                                 | 55        |
| <i>Note 32 Agency Services</i>                                                                    | 55        |
| <i>Note 33 Related Party Transactions</i>                                                         | 55        |
| <i>Note 34 Key Management Personnel</i>                                                           | 57        |
| <i>Note 35 Contingent Liabilities and Contractual Commitments</i>                                 | 57        |
| <i>Note 36 Accounting Standards Issued but Not Adopted</i>                                        | 57        |
| <b>5. Investments and Funding</b>                                                                 | <b>59</b> |

|                                                                          |           |
|--------------------------------------------------------------------------|-----------|
| <i>Investment Policy (Investment Strategy Statement or ISS)</i>          | 59        |
| <i>Investment Performance</i>                                            | 60        |
| <i>Management Expenses</i>                                               | 62        |
| <i>Environmental, Social and Governance Considerations in Investment</i> | 64        |
| <i>Strategic Asset Allocation</i>                                        | 66        |
| <i>Pooling</i>                                                           | 67        |
| <b>6. Administration</b>                                                 | <b>71</b> |
| <i>Summary of Activity</i>                                               | 71        |
| <i>Key Performance Indicators</i>                                        | 73        |
| <i>Fund Members and Employers</i>                                        | 74        |
| Fund Members                                                             | 74        |
| Fund Employers                                                           | 75        |
| <i>Communications Policy</i>                                             | 75        |
| <i>Value for Money Statement</i>                                         | 75        |
| <i>Dispute Resolution</i>                                                | 76        |
| Internal Dispute Resolution Procedure                                    | 76        |
| Complaints Received                                                      | 76        |
| Customer Satisfaction Levels                                             | 77        |
| <b>7. Actuarial Report on The Fund</b>                                   | <b>78</b> |
| <b>8. External Audit Opinion</b>                                         | <b>81</b> |
| <b>9. Glossary</b>                                                       | <b>85</b> |
| <b>10. Appendix 1 - National Fraud Initiative reports</b>                | <b>89</b> |
| <b>11. Appendix 2 – Administration Key Performance Indicators</b>        | <b>91</b> |

## **1. Overall Fund Management**

### **Scheme Management 2024/25**

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

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

#### **Joint Pensions Committee (All members have full voting rights)**

Councillor Norman Marshall (Wandsworth) - Chair  
Councillor Ian Craigie (Richmond) – Deputy Chair  
Councillor Kim Caddy (Wandsworth) – Member  
Councillor Nikki Crookdake (Richmond) – Member  
Councillor Aydin Dikerdem (Wandsworth) - Member  
Councillor Judi Gasser (Wandsworth) – Member  
Councillor Angela Ireland (Wandsworth) – Member  
Councillor Tom Pridham (Wandsworth) – Member  
Councillor Kuldev Sehra (Richmond) – Member

All Councillors may be contacted at:

#### **Wandsworth Councillors**

Town Hall, Wandsworth High Street, London, SW18 2PU

or using individual contact addresses which are available at

<http://www.wandsworth.gov.uk/yourcouncillors> for Wandsworth Councillors

#### **Richmond Councillors**

Civic Centre, 44 York Street, Twickenham, TW1 3BZ

or using individual contact addresses which are available at

<https://www.richmond.gov.uk/council/councillors> for Richmond Councillors.

#### **Local Pensions Board (All members have full voting rights)**

Employer representatives:

Richard Perry (Chair) – Ashcroft Academy  
John Deakins – Richmond and Wandsworth Councils  
Melanie Hanson – Achieving for Children

Scheme member representatives:

Peter Quirk – Retired member  
Chris Jones – Retired member  
Hilary Galloway - Retired member

Voting records and attendance records for each meeting are available at [Wandsworth Council website for Joint Pensions Committee](#) and [Wandsworth Council website for Local Pensions Board](#)

#### **Senior Council (Administering Authority) Officers**

|                                                                                 |                |
|---------------------------------------------------------------------------------|----------------|
| Responsible Financial Officer (Executive Director of Finance)                   | Fenella Merry  |
| Director of Financial Services                                                  | Paul Guillotti |
| Scheme Administration – Assistant Director of Pensions Shared Service           | Martin Doyle   |
| Scheme Investments and Accounting - Head of Pension Fund & Insurance Accounting | Coral Baxter   |

In the first instance contact to any of the above should be made via Coral Baxter by telephoning (020) 8891 7247 or by email to [Coral.Baxter@richmondandwandsworth.gov.uk](mailto:Coral.Baxter@richmondandwandsworth.gov.uk)

## **Investment Managers and External Advisers**

### **Asset Pool – London LGPS CIV**

Postal address: London CIV, 4<sup>th</sup> Floor, 22 Lavington Street, London SE1 0NZ

Registered Address: As above

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

E-mail: [info@londonciv.org.uk](mailto:info@londonciv.org.uk) Tel: 0208 036 9000

### **Investment Managers**

| <b>Manager</b>                                                               | <b>Mandate</b>                    |
|------------------------------------------------------------------------------|-----------------------------------|
| London LGPS CIV - Global Alpha Growth (Baillie Gifford)                      | Managed Global Equities           |
| London LGPS CIV - Global Equity Focus (Longview)                             | Managed Global Equities           |
| London LGPS CIV - Sustainable Equity (RBC)                                   | Managed Global Equities           |
| Allianz (ended October 2024)                                                 | Managed Enhanced Bonds            |
| Janus Henderson (ended October 2024)                                         | Corporate Bonds                   |
| London LGPS CIV – All Durations Buy & Maintain (Insight) (from October 2024) | Corporate Bonds                   |
| London LGPS CIV - Alternative Credit (CQS)                                   | Multi Asset Credit                |
| Oakhill                                                                      | Multi Asset Credit                |
| CCLA/LAMIT                                                                   | Property                          |
| Schroders                                                                    | Property                          |
| Nuveen (UKPF) (ended 28 February 2025)                                       | Property                          |
| Columbia Threadneedle (TPUT) (from 28 February 2025)                         | Property                          |
| Legal & General                                                              | Global Equity, Bonds and Property |
| Russell                                                                      | Currency (Passive Overlay)        |
| JP Morgan                                                                    | Infrastructure                    |
| Pantheon                                                                     | Infrastructure                    |
| London LGPS CIV – Renewable Infrastructure                                   | Infrastructure                    |
| Sandbrook                                                                    | Infrastructure                    |
| Octopus                                                                      | Infrastructure                    |
| Brightwood                                                                   | Private Debt                      |
| Churchill                                                                    | Private Debt                      |
| Permira                                                                      | Private Debt                      |

**Custodian**  
**Investment Advisor**  
**Fund Actuary**  
**Legal Advisors**  
**AVC Providers**

Northern Trust  
Mercer  
Barnett Waddingham  
South London Legal Partnership  
Prudential  
Clerical Medical  
Utmost (former Equitable Life – closed to new contributors)  
National Westminster Bank Plc  
Ernst & Young LLP

**Bankers**  
**External Auditor**

## **Risk Management**

Responsibility for risk management for the Fund has been delegated to the Local Pensions Board. The Board receives a Risk Management report at every meeting, including a Risk Register which is reviewed and updated at every meeting. The Board also sees the service risk assessment documents for the 3 Council teams that support the Fund: The Pensions Shared Service which provides pension administration services to the Fund, the Pension Fund & Insurance Accounting team which provides accounting, operational investment services and governance services to the Fund and the Director of Financial Services who leads on the investment strategy setting and implementation. These service risks are reviewed bi-annually by officers, as required by the Council's Risk Management Strategy and inform the review of the Pension Fund Risk Register at each Local Pension Board meeting. Further information on risk management is available in these reports accessible on the Council's website with the [Local Pension Board papers](#).

The Council's overall strategy on risk management is reviewed annually and was last updated in [Committee Paper 25-261](#) approved by the Audit Committee on 9 July 2025. 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 Fund's approach to Pension Fund Risk Management and risk and governance structure is integrated within. Furthermore, the [Local Pension Board](#) considers Risk Management at each of its meeting and should any concerns arise these would be referred to the [Joint Pensions Committee](#).

Risk management is embedded in Council processes, all heads of service are responsible for assessing and managing risks relating to their service delivery. This assessment is updated twice a year and will include recent emerging risks such as climate change and cyber security. The Fund also covers risks in key documents and has set processes around key risk areas such as liquidity risk, for which the Fund has set up a Liquidity Management Process. The main support to the Fund by the Administering Authority is for pensions administration and accounting and investment support. Pension administration is provided by the Pensions Shared Service which is a shared service hosted by Wandsworth, giving resilience and sharing resourcing decisions across all the partner authorities. The team producing the Fund accounts and providing financial support services is separate from the Council's own accounting and investment teams, a decision which was taken to protect the time spent on the Fund. The Fund has an SLA with the Council, ensuring that all relevant costs are charged to the Fund making these services net nil cost to local taxpayers and so protecting the services from any Council Tax related resourcing decisions.

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) with commentary on how investment risk is diversified and managed. The Accounts also include notes on the risks of investing in different markets, giving indications of the potential impact of the risk in Note 26 Nature and Extent of Risks Arising from Financial Instruments.

The roles of the Fund investment advisor and the Fund actuary are also clearly specified in this document. Fund managers, the investment advisor, the actuary and the custodian all 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) which was last approved by Joint Pensions Committee in March 2023 [here](#) explains the Fund's key risks and how they are identified, mitigated, managed and reviewed. The FSS is reviewed alongside the triennial valuation, and the next review is will be during 2025.

Richmond and Wandsworth Councils are the primary employers in the Pension Fund and risks of late contributions are therefore mainly with employers with external payrolls. This includes some schools, colleges and admission bodies. Individual late or incomplete payments will not significantly impact the Fund's liquidity but ongoing problems could be indicative of wider issues and the risks arising would be considered in this context. Contributions from all employers are reconciled monthly against contributions expected and cash received, and this reviewed as part of the annual external audit of the Fund's accounts. Any late or unreconciling payments are raised promptly with the relevant employer and pursued until differences are reconciled and any necessary payments or deductions are received. Late or incorrect data submission is subject to penalty payments under employer admission agreements to encourage good performance. As reported in the Accounts, the Fund has not had any material issues with payment values or supporting data during the year.

The investment managers (including the regional pool) and the custodian have all appointed independent external auditors who annually audit their internal controls. The Fund receives and reviews these reports as they become available to ensure these firms' auditors are satisfied their control frameworks are appropriate and effective. This gives the Fund assurance over the management and administration of its investments. Officers would investigate further if these reports highlighted any issues or potential issues.

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 on [Commentary on the Work of Joint Pensions Committee This Year](#).

## **2. Governance and Training**

### **Governance Structure**

Wandsworth Council is the Administering Authority for the Fund.

The governance of the Council is set out in the [Council's Constitution](#) which delegates decision making for the Pension Fund to the Joint Pensions Committee (as set out in Part 3 Appendix G Joint Pensions Committee Procedure Rules), except where more day to day decision making is delegated to the Executive Director of Finance or the Director of Financial Services in the Part 3 Appendix F Scheme of Management for the Executive Director of Finance

The Joint Pensions Committee is supported by the Local Pensions Board which is constituted of an equal number of employer and member representatives and provides scrutiny of the work of the Committee, as well as focusing on risk management for the Fund.

Membership of the Committee, Board and the senior officers supporting the Fund are listed in 1 Overall Fund Management above.

The Fund also completes a Governance Compliance Statement which is kept under review and updated when there is a significant change in governance. The last such change was the revision of the membership of Local Pensions Board and the latest version, approved by Joint Pensions Committee in December 2023, is available on the Council's website [here](#).

### **Training**

The Fund has a [training policy](#) and progress against the policy was last reported to Joint Pensions Committee in paper [25-120](#). This policy refers to the CIPFA knowledge and skills framework which sets the minimum requirements for officers, councillors and Local Pensions Board members.

The Executive Director of Finance and Director of Financial Services provide access to a Knowledge and Skills toolkit for members of the Committee and all are required to complete the Hyman's LGPS Online Learning Academy online training.

The Fund's Investment Consultant provides a training session prior to each committee meeting on key themes and individual Members attend investment conferences and training as they deem appropriate.

Officers provide training prior to each Local Pensions Board meeting on a current issue or training identified from Board members' self-assessments.

Officers attend training online and in person and many events will include updates on current issues or information on a specific area.

Training has been undertaken during the year as follows:

#### **Joint Pensions Committee**

| <b>Name</b>           | <b>Meetings Attended</b> | <b>Core Online Training completed</b> | <b>Annual Refresher</b> | <b>Training at Committee</b> | <b>Other training and educational events</b> |
|-----------------------|--------------------------|---------------------------------------|-------------------------|------------------------------|----------------------------------------------|
| Cllr Marshall (Chair) | 3 of 3                   | Yes                                   | Due                     | Yes                          |                                              |
| Cllr Craigie          | 3 of 3                   | Yes                                   | Due                     | Yes                          |                                              |
| Cllr Caddy            | 3 of 3                   | Yes                                   | Not due                 | Yes                          |                                              |
| Cllr Crookdake        | 2 of 3                   | Yes                                   | Not due                 | Yes                          | Yes                                          |
| Cllr Dikerdem         | 3 of 3                   | Yes                                   | Due                     | Yes                          |                                              |
| Cllr Gasser           | 3 of 3                   | Yes                                   | Complete                | Yes                          | Yes                                          |
| Cllr Ireland          | 3 of 3                   | Yes                                   | Due                     | Yes                          |                                              |
| Cllr Pridham          | 3 of 3                   | Yes                                   | Not due                 | Yes                          |                                              |
| Cllr Sehra            | 0 of 3                   | Yes                                   | Due                     | No                           |                                              |

### Local Pensions Board

| Name                  | Meetings Attended | Core Online Training completed | Annual Refresher | Training at Board | Other training and educational events |
|-----------------------|-------------------|--------------------------------|------------------|-------------------|---------------------------------------|
| Richard Perry (Chair) | 4 of 4            | Yes                            | In progress      | Yes               | Yes                                   |
| Peter Quirk           | 3 of 4            | Yes                            | Due              | Yes               | None                                  |
| John Deakins          | 2 of 4            | Yes                            | Due              | Yes               | None                                  |
| Melanie Hanson        | 3 of 4            | No                             | n/a              | Yes               | Yes                                   |
| Chris Jones           | 2 of 4            | Yes                            | In progress      | Yes               | None                                  |
| Hilary Galloway       | 4 of 4            | Yes                            | In progress      | Yes               | Yes                                   |

### Senior Officers

| Name           | Core Online Training completed | Annual Refresher | Training at Committee /Board | Other training and educational events                                           | Professional qualifications |
|----------------|--------------------------------|------------------|------------------------------|---------------------------------------------------------------------------------|-----------------------------|
| Fenella Merry  | Yes                            | Due              | n/a                          | None                                                                            | CIPFA                       |
| Paul Guillioti | Yes                            | Due              | Yes                          | Various LCIV and other events both sponsored and as part of contracted services | ACCA                        |
| Martin Doyle   | Yes                            | In progress      | Yes                          | None                                                                            |                             |
| Coral Baxter   | Yes                            | Yes              | Yes                          | Various sponsored or as part of contracted services                             | CIPFA                       |

### Commentary on the Work of Joint Pensions Committee This Year

Since the Wandsworth and Richmond funds merged in 2016/17 governance of the Fund has been the responsibility of the Joint Pensions Committee with three elected members from London Borough of Richmond and six from London Borough of Wandsworth.

In 2024/25 the Committee held three of the four conventional quarterly meetings on 15 October 2024, 7 January 2025 and 25 March 2025 with the scheduled 11 June 2024 meeting cancelled due to the pending general election. The October meeting was held in the Council Chamber and the later meetings were held in Committee room 123 at Wandsworth Town Hall. Both rooms have a hybrid capability for non-voting attendees to participate virtually, if required.

The Committee Reports and minutes summarising the business and decisions at each meeting are available on Wandsworth Council's website using the following link:

<https://democracy.wandsworth.gov.uk/ieListMeetings.aspx?CId=634&Year=0>

### Commentary on the Work of Local Pensions Board This Year

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

The Chair of Local Pensions Board summarises the work of the Board in his annual report which is available on the Council website in Local Pensions Board papers for the 25 June 2024 meeting as [Paper 25-158 Appendix A Chair's Annual Report 2024/25](#)

## **Conflicts of Interest**

The Pension Fund is governed by elected members acting as trustees and accordingly the Council's agreed Code of Conduct for elected members and accompanying guidance sets out how any conflicts of interests involving elected members acting as trustees can be addressed. This is available at [Elected Members Code of Conduct](#)

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

The Code also contains rules about declaring and registering via a public register "disclosable pecuniary interests (DPI)" and other relevant personal interests and the action a member must take when they have such an interest in Council business, for instance, in the case of a DPI, withdrawing from the room or chamber when a matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

## **Oversight and Governance of the Asset Pool**

All LGPS Funds in England and Wales are required to pool their assets for investment purposes and as such the Fund is a member of the London CIV pool.

The London CIV (LCIV) was formed as by the 32 London Boroughs and the City of London in 2014 to pool their LGPS investments. It received regulatory authorisation from the Financial Conduct Authority in November 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation as an Authorised Contractual Scheme (ACS) Fund.

The governance structure of the LCIV has been designed to ensure that there are both formal and informal routes to engage with the investing Funds both as shareholders and investors, making the LCIV accountable at both levels. Governance is achieved through the Sectoral Joint Committee, comprising nominated Member representatives from each investing Fund within the pool. In addition, there is an Investment and Customer Outcomes Committee ("ICO") formed of two non-Executive Directors and the CEO.

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

The Fund monitors all its investments quarterly as mentioned in the Investment Performance section and the Fund treats London CIV as any other manager for monitoring purposes. The CIV is responsible for oversight of its' sub-fund managers. The Government's Pension Schemes Bill will require all funds to pool all investments by 31 March 2026, at which point the CIV will manage all assets either directly or through an IMA. The Bill will remove the Fund's option to invest outside the CIV for any reason, leaving the Fund reliant on the CIV to take any actions relating to sub-fund managers poor performance.

### 3. 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

The Net Asset Statement in the accounts gives the financial performance for the year on an accounting basis, including non-cash items such as profit or loss from changes in the market value of investments. The table below compares income and expenditure for the Fund during 2024/25 to the budget and 2023/24 outturn all on a cashflow basis.

This table does not include any direct staff costs as all staff are employed by the Administering Authority which recharges the Fund for the costs of benefits administration, accounting, investment and governance costs. While these charges are predominantly salary related, they also include the costs of IT, supplies and services, accommodation and other costs and income related to Administering Authority work. While the lower level of detail is available, it does not add to the understanding of the significant transactions of the Fund.

|                                                                | <b>Outturn<br/>2023/24<br/>£000</b> | <b>Estimate<br/>2024/25<br/>£000</b> | <b>Outturn<br/>2024/25<br/>£000</b> | <b>Variance<br/>2024/25<br/>£000</b> | <b>%</b>    |
|----------------------------------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------|
| <b>Regular Monthly Cashflows</b>                               |                                     |                                      |                                     |                                      |             |
| <b>- Contributions From</b>                                    |                                     |                                      |                                     |                                      |             |
| Employees                                                      | 19,884                              | 20,480                               | 20,942                              | 462                                  | 2%          |
| Employers Normal                                               | 57,585                              | 60,300                               | 61,582                              | 1,282                                | 2%          |
| <b>- Benefits Payable</b>                                      |                                     |                                      |                                     |                                      |             |
| Pensions                                                       | -79,569                             | -84,670                              | -85,994                             | -1,324                               | 2%          |
| <b>Subtotal Regular Cash</b>                                   | <b>-2,100</b>                       | <b>-3,890</b>                        | <b>-3,470</b>                       | <b>420</b>                           | <b>-11%</b> |
| <b>Irregular Cashflows</b>                                     |                                     |                                      |                                     |                                      |             |
| <b>- Contributions From</b>                                    |                                     |                                      |                                     |                                      |             |
| Employers Strain costs                                         | 978                                 | 1,320                                | 1,589                               | 269                                  | 20%         |
| Transfer In                                                    | 6,038                               | 10,020                               | 9,699                               | -321                                 | -3%         |
| <b>- Benefits Payable</b>                                      |                                     |                                      |                                     |                                      |             |
| Lump Sum Retirement Benefits                                   | -12,483                             | -11,440                              | -15,460                             | -4,020                               | 35%         |
| Lump Sum Death Benefits                                        | -1,961                              | -1,680                               | -1,235                              | 445                                  | -26%        |
| Transfers Out                                                  | -59,667                             | -13,350                              | -13,861                             | -511                                 | 4%          |
| <b>Subtotal Irregular Cash</b>                                 | <b>-67,095</b>                      | <b>-15,130</b>                       | <b>-19,268</b>                      | <b>-4,138</b>                        | <b>27%</b>  |
| <b>Net Additions/Withdrawals from<br/>Dealing with Members</b> | <b>-69,195</b>                      | <b>-19,020</b>                       | <b>-22,738</b>                      | <b>-3,718</b>                        | <b>20%</b>  |
| <b>Returns on Investments</b>                                  |                                     |                                      |                                     |                                      |             |
| Investment Income                                              | 67,149                              | 56,690                               | 62,436                              | 5,746                                | 10%         |
| Investment Management Expenses                                 | -12,125                             | -12,030                              | -12,301                             | -271                                 | 2%          |
| Custody                                                        | -40                                 | -40                                  | -31                                 | 9                                    | -23%        |
| Administration & Investment Team Costs                         | -1,318                              | -1,330                               | -1,371                              | -41                                  | 3%          |
| Professional Advice                                            | -381                                | -380                                 | -499                                | -119                                 | 31%         |
| <b>Total</b>                                                   | <b>-15,910</b>                      | <b>23,890</b>                        | <b>25,496</b>                       | <b>1,606</b>                         | <b>7%</b>   |

Fund income is driven by:

- Contributions in respect of active members. Employee contribution rates are set in the LGPS regulations which set the percentage by pay bands. Employer contribution rates are set by the actuary at the triennial valuation. Changes in the number of active members (due to retirement, changing employer and taking their pension with them or leaving the scheme) will therefore impact income, as will salary inflation, redundancies, employers exiting the scheme, and the funding level assessed by the actuary at the last valuation.
- Investment income. This will depend on the investment strategy as different asset classes will tend to generate income or capital growth.

Fund expenditure is driven by:

- Pensioner numbers. This will also be impacted by changes to the standard retirement age and the employment market which could influence when active members retire, and changes to longevity which impacts how long pensions will be paid.
- Pensioner decision to convert part of their ongoing pension benefits to a lump sum on retirement.
- Inflation. LGPS pensions increase from 1 April by CPI for the prior September.
- Members transferring their pension to another Fund.
- Fees paid for administration of the Fund, professional advice and support and to fund managers. The most significant of these is fund manager fees, which are linked to the value of assets under management, therefore fees will increase if asset values increase (either due to manager decisions or market growth) and vice versa.

The table shows that there is an ongoing net withdrawal from dealing with members, reflecting the fact that the combined Fund is structurally “cash flow negative” due to the increasing maturity of its liabilities. The Fund’s investment strategy includes allocation to assets which should generate regular cashflows to support this level of net payments out.

The 2023/24 figures include a £45.2m transfer in respect of Richmond upon Thames College which merged with Uxbridge College, transferring the net assets of the employer to the LB Hillingdon Pension Fund.

The overall deficit for 2024/25 is higher than was originally estimated.

There are small percentage differences in the regular payments, meaning the main differences are in the Irregular cash flows:

- Employers strain costs. Strain costs specific to the individuals being made redundant/retiring early. While there were slightly fewer payments this year, there were more high value payments.
- Lump sum retirement benefits. While there were slightly fewer payments this year, there were more high value payments.
- Lump sum death grants. Fewer deaths in year, which appears to be a national trend.
- Investment income was budgeted on historical data uplifted based on discount rate rather than additional drawdowns to private markets.
- Custody costs reduced from a combination of revised fees and reduced volume of transactions moving from directly held bonds into the LCIV pooled bond fund.
- Professional advice includes the external audit fee. The PSAA agreed several backdated fee increases during 2024/25 which were unknown when the budget was set.

The Pension Fund paid £12.3m in management expenses in 2024/25, an increase of £0.2m (1%) since 2023/24. Fees are linked to the value of investments, and increased fees therefore should indicate a growth in asset values. The Fund moved its bond investment to fully controlled by LCIV, selling Allianz and Janus Henderson bonds to invest in the new LCIV bond fund. One of the Fund’s property investments (Nuveen UKPF) was merged in Columbia Threadneedle’s TPUT fund in year. More detail on management expenses is give in Management Expenses on page 62.

The Pension Fund's year end accounts are included in 4 Pension Fund Accounts. As can be seen in the Fund's Net Asset Statement, the Fund does not hold significant non-investment assets or liabilities. The Fund's only non-investment long term asset is LCIV Long Term Capital which represents regulatory capital of the LCIV, the investment is not repayable on demand. This is not an investment, this is a regulatory requirement to enable the Fund to participate in LCIV's pooling arrangements and is carried at cost with no change to value year on year. The Fund holds non-investment current assets and liabilities and the detail and movements in these balances is shown in Note 30 Current Assets & Liabilities.

This Annual Report is backward looking so does not include the most recent budgets. Further information on the Fund's projected future cash flows is available in on the Council website in the [Pension Fund Budget 2024-2028](#) approved by Joint Pensions Committee at the meeting on 26 March 2024.

### **Contribution Amounts due to the Fund from Employers and Employees**

The following table provides contribution details of the employers who were active during the year:

| Employer                                | Pensionable<br>Pay<br>£000 | Contributions Received From |                   |               |
|-----------------------------------------|----------------------------|-----------------------------|-------------------|---------------|
|                                         |                            | Employees<br>£000           | Employers<br>£000 | Total<br>£000 |
| <b>Councils</b>                         |                            |                             |                   |               |
| Richmond Council                        | 25,219                     | 1,484                       | 6,250             | 7,734         |
| SSA of Richmond and Wandsworth Councils | 165,158                    | 11,821                      | 31,535            | 43,356        |
| Wandsworth Council                      | 40,501                     | 2,434                       | 6,486             | 8,920         |
| <b>Scheduled Bodies</b>                 |                            |                             |                   |               |
| Alton Academy                           | 662                        | 40                          | 138               | 179           |
| Anglo Portuguese School                 | 179                        | 10                          | 38                | 48            |
| Ark John Archer                         | 341                        | 20                          | 72                | 91            |
| Ashcroft Technology College             | 2,186                      | 143                         | 459               | 602           |
| Belleville School                       | 1,804                      | 121                         | 376               | 496           |
| Belleville Wix Academy                  | 239                        | 14                          | 49                | 63            |
| Bolingbroke ARK                         | 906                        | 57                          | 190               | 247           |
| Burntwood Academy                       | 1,818                      | 120                         | 382               | 501           |
| Capella House (Auriga)                  | 340                        | 21                          | 71                | 93            |
| Chesterton Academy                      | 645                        | 39                          | 135               | 174           |
| Chestnut Grove                          | 1,465                      | 90                          | 308               | 398           |
| Clarendon (Auriga)                      | 1,177                      | 67                          | 273               | 340           |
| Ernest Bevin College                    | 897                        | 55                          | 188               | 244           |
| Floreat Academy                         | 481                        | 28                          | 101               | 129           |
| Franciscan School                       | 525                        | 30                          | 110               | 140           |
| Goldfinch School                        | 455                        | 27                          | 96                | 122           |
| Graveney School                         | 2,469                      | 157                         | 518               | 674           |
| Greycourt                               | 1,556                      | 104                         | 320               | 425           |
| Griffin School                          | 138                        | 8                           | 29                | 37            |
| Hampton High                            | 756                        | 48                          | 156               | 205           |
| Hampton School                          | 315                        | 22                          | 76                | 98            |
| Harris Academy Battersea                | 1,126                      | 71                          | 237               | 308           |

| Employer                                    | Pensionable<br>Pay<br>£000 | Contributions Received From |                   |               |
|---------------------------------------------|----------------------------|-----------------------------|-------------------|---------------|
|                                             |                            | Employees<br>£000           | Employers<br>£000 | Total<br>£000 |
| Linden Lodge                                | 2,799                      | 171                         | 588               | 758           |
| Mosaic SLJPS                                | 227                        | 14                          | 48                | 61            |
| Nelson Academy                              | 342                        | 20                          | 81                | 101           |
| Nightingale School                          | 863                        | 55                          | 181               | 236           |
| Oasis Putney                                | 303                        | 19                          | 64                | 82            |
| Orleans Park                                | 1,330                      | 83                          | 295               | 378           |
| Putney ARK                                  | 1,316                      | 83                          | 276               | 359           |
| RAHCC (Prev. RACC)                          | 1,886                      | 116                         | 471               | 587           |
| Ravenstone School                           | 519                        | 30                          | 109               | 139           |
| Richmond Park Academy                       | 830                        | 52                          | 178               | 229           |
| Richmond Upon Thames School                 | 1,094                      | 70                          | 229               | 299           |
| Southfields Academy                         | 2,188                      | 134                         | 459               | 594           |
| St Cecilia's C of E School                  | 1,418                      | 86                          | 298               | 383           |
| St Marys Hampton School                     | 256                        | 15                          | 54                | 69            |
| St Richard Reynolds Catholic College        | 1,659                      | 105                         | 300               | 405           |
| Strathmore (Auriga)                         | 2,325                      | 141                         | 472               | 613           |
| Teddington School                           | 992                        | 62                          | 211               | 272           |
| Thomson House School                        | 446                        | 26                          | 95                | 121           |
| Tooting Primary School                      | 710                        | 40                          | 149               | 189           |
| Turing House School                         | 1,000                      | 62                          | 219               | 281           |
| Twickenham Primary (Academy)                | 438                        | 25                          | 106               | 131           |
| Twickenham School                           | 654                        | 40                          | 145               | 185           |
| Waldegrave                                  | 1,588                      | 99                          | 385               | 484           |
| Wandle Learning Trust                       | 1,938                      | 145                         | 407               | 552           |
| Westbridge Primary School                   | 247                        | 15                          | 52                | 66            |
| St Elizabeth's Catholic School              | 119                        | 7                           | 29                | 36            |
| St Osmund's Catholic School                 | 95                         | 5                           | 23                | 29            |
| <b>Admitted Bodies</b>                      |                            |                             |                   |               |
| Balance Support                             | 321                        | 20                          | 61                | 81            |
| Birkin Cleaning (Linden Lodge)              | 36                         | 2                           | 7                 | 9             |
| Caterlink (St Cecilia's)                    | 18                         | 0                           | 0                 | 0             |
| Enable - Bereavement                        | 71                         | 4                           | 14                | 19            |
| Enable - Leisure and Sport                  | 980                        | 68                          | 199               | 267           |
| Enable - Parks and Open Spaces              | 66                         | 4                           | 13                | 18            |
| Enable - PSAD                               | 45                         | 3                           | 9                 | 12            |
| Greenwich Leisure Ltd                       | 1,070                      | 68                          | 248               | 316           |
| Institute of Revenues, Rating and Valuation | 347                        | 25                          | 129               | 154           |
| Lifeways                                    | 77                         | 5                           | 13                | 19            |
| London Hire Community Services              | 456                        | 26                          | 87                | 113           |
| Notting Hill Genesis                        | 0                          | 0                           | 241               | 241           |
| Pabulum Catering (Wandle Learning Trust)    | 13                         | 0                           | 0                 | 0             |
| Richmond Music Trust                        | 185                        | 12                          | 42                | 53            |
| Serco                                       | 507                        | 33                          | 123               | 156           |
| South West Middlesex Crematorium Board      | 494                        | 33                          | 111               | 144           |

| Employer                         | Pensionable<br>Pay<br>£000 | Contributions Received From |                   |               |
|----------------------------------|----------------------------|-----------------------------|-------------------|---------------|
|                                  |                            | Employees<br>£000           | Employers<br>£000 | Total<br>£000 |
| St Mary's University             | 1,470                      | 103                         | 515               | 618           |
| Support for Living               | 122                        | 8                           | 21                | 29            |
| Wandsworth Music Service         | 149                        | 11                          | 31                | 42            |
| <b>Designated Bodies</b>         |                            |                             |                   |               |
| Achieving for Children           | 20,162                     | 1,383                       | 4,023             | 5,406         |
| Achieving for Children (RBWM)    | 5,917                      | 386                         | 1,178             | 1,564         |
| <b>Total</b>                     | <b>311,444</b>             | <b>20,942</b>               | <b>61,582</b>     | <b>82,524</b> |
| <b>As a % of pensionable pay</b> |                            | 6.7%                        | 19.8%             |               |

Employee contributions are set nationally for the whole LGPS based on pay, to ensure that members are not impacted by the investment decisions of their Fund's administering authority. Employer contributions are set in the triennial valuation to reflect the net assets or liabilities of that employer and the need to make good any surplus or deficit over any acceptable period, again specific to that employer but within the Fund's overall deficit recovery policy.

### **Late and Overdue Contributions**

The Executive Director of Finance is authorised to decide whether to levy interest in any case where contributions are received late. During 2024/25 two employers submitted contributions late. These instances have been recorded on the Breaches Register and monitored for further occurrences. The total contributions were not significant, and it would not have been economic for the Service to have pursued interest on these amounts.

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

### **Management of Admitted Bodies and Funding Arrangements**

Two council schools converted to academies during the year increasing the number of scheduled bodies by two.

One admitted body was added and one ceased during the year, both due to the outcome of letting contracts in 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      |            |
|-----------------|-----------|-----------|-----------|-----------|------------|------------|
|                 | 2023/24   | 2024/25   | 2023/24   | 2024/25   | 2023/24    | 2024/25    |
| Council         | 3         | 3         | 0         | 0         | 3          | 3          |
| Designated Body | 2         | 2         | 0         | 0         | 2          | 2          |
| Scheduled Body  | 47        | 49        | 7         | 7         | 54         | 56         |
| Admitted Body   | 19        | 19        | 32        | 33        | 51         | 52         |
| <b>Total</b>    | <b>71</b> | <b>73</b> | <b>39</b> | <b>42</b> | <b>110</b> | <b>113</b> |

### **Overpayments**

Pension overpayments are generally due the timing of death notifications within the payment cycle.

Any overpayment totalling over £100 is invoiced to the beneficiary of the payment (the executor of their estate). The non-recovery limit of £100 was set in from January 2017 onwards.

|                                                      | <b>2024/25</b> |
|------------------------------------------------------|----------------|
|                                                      | <b>£</b>       |
| <b>Unrecovered overpayments 1 April</b>              | <b>185,405</b> |
| <b>New overpayments during 2024/25</b>               | <b>87,858</b>  |
| Prior year overpayments recovered                    | -23,577        |
| Current year overpayments recovered                  | -39,727        |
| <b>Payments Received during 2024/25</b>              | <b>-63,304</b> |
| <b>Closing balance of overpayments 31 March</b>      | <b>209,959</b> |
| <b>Amounts to be Written Off</b>                     |                |
| Overpayments in year below de minimis for collection | 2,928          |
| Prior year overpayments written off                  | 0              |
| Current year overpayments written off                | 0              |

### **National Fraud Initiative Results**

Details of the last two National Fraud Initiatives (2024 and 2022) are at Appendix 1. Our main member existence processes for the Wandsworth Pension Fund are as follows:

- Atmos Monthly Mortality Screening – the Pensions Shared Service has contracted a monthly mortality screening service to minimise the risks of Impersonation of the Deceased (IOD), fraud and pension overpayments. Pensioner data is screened monthly against the General Register Office's (GRO's) Disclosure of Death Registration Information (DDRI) data. The DDRI data is updated weekly with all registered deaths in England, Northern Ireland, Scotland and Wales. Results are returned each month before the pensioner payroll deadline. Deceased pensioners are suspended on the Council's Payroll system in the next available payroll run after notification.
- Overseas Pensioners Life Certificates - all pensioners who are resident overseas are asked to complete and return an annual life certificate. For those registered as living overseas on Payroll, each May, a life certificate is sent by the Pensions Shared Service for return within six months. A signature check is performed and recorded for each returned certificate. If no certificate is returned then the pension is suspended on Payroll. The Pensions Shared Service keeps a record of each case.
- National Fraud Initiative (NFI) - Pensions Shared Service partnership Councils share information with other bodies responsible for auditing or administering public funds in order to prevent and detect fraud. For this initiative, we provide details of pensions so that they can be compared with information provided by other public bodies to ensure that no pensions are being paid to pensioners who are deceased or who are no longer entitled to them, and also with Housing Benefit records to ensure that occupational pension income is being declared.
- Tell Us Once is a service that lets an individual reporting a death inform many Government organisations in one go. Tell Us Once includes a question asking if the deceased member had a period of public service pension scheme membership and, if so, in which scheme. Importantly, when this information is provided to a public service pension scheme via Tell Us Once, it counts as a formal notification of the death. For the LGPS, this means that sight of the individual's death certificate is not needed. To use Tell Us Once, each LGPS pension fund uploads an extract of their membership data to the LGPS Database. About once a month, South Yorkshire Pensions (SYPA) send DWP an updated membership extract including the membership of the Pensions Shared Service partnership funds.

When an individual uses Tell Us Once and confirms that the deceased had a period of LGPS membership, a real time search is undertaken using the LGPS Database membership extract provided by SYPA. Whilst the person is still completing the form, they will get a message confirming if a successful match has been found. If no match is found, the person using Tell Us Once will be told that this does not necessarily mean the person did not have a pension in the LGPS, but that they should contact the pension fund directly to inform them of the death. Deceased pensions are suspended on the Council's Payroll system in the next available payroll run after notification.

- Payslips are sent to pensioners' home addresses every month and if these are returned then the pension will be suspended in the next available payroll run after a follow up enquiry by telephone or email.

#### **4. Pension Fund Accounts**

##### **Statement of Responsibilities**

##### **The Authority's Responsibilities**

The Authority is required to:

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

##### **The Chief Financial Officer's Responsibilities**

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

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

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

The chief financial officer has also:

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

##### **Certificate**

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

Signatures

Fenella Merry  
Executive Director of Finance

Councillor Norman Marshall  
Chair of Joint Pensions Committee

## Wandsworth Fund Account

| 2023/24<br>£000    |                                                                                             | Note    | 2024/25<br>£000    |
|--------------------|---------------------------------------------------------------------------------------------|---------|--------------------|
|                    | <b>Dealing with Members, Employers and Others<br/>Directly Involved in the Fund</b>         |         |                    |
| (78,447)           | Contributions receivable                                                                    | Note 8  | (84,113)           |
| (6,038)            | Transfers In from Other Pension Funds                                                       | Note 9  | (9,699)            |
| (84,485)           |                                                                                             |         | (93,812)           |
| 94,013             | Benefits payable                                                                            | Note 10 | 102,689            |
| 59,667             | Payments to and on account of Leavers                                                       | Note 11 | 13,861             |
| 153,680            |                                                                                             |         | 116,550            |
| <b>69,195</b>      | <b>Net (Additions)/Withdrawals from Dealings with<br/>Members</b>                           |         | <b>22,738</b>      |
| 13,864             | Management Expenses                                                                         | Note 12 | 14,202             |
| <b>83,059</b>      | <b>Net (Additions)/Withdrawals including Fund<br/>Management Expenses</b>                   |         | <b>36,940</b>      |
|                    | <b>Returns on Investments</b>                                                               |         |                    |
| (67,428)           | Investment income                                                                           | Note 13 | (62,732)           |
| 279                | Taxes on income                                                                             | Note 13 | 296                |
| (336,732)          | (Profit)/Loss on Disposal of Investments and Changes<br>in the Value of Investments         | Note 16 | (51,093)           |
| <b>(403,881)</b>   | <b>Net Returns on Investments</b>                                                           |         | <b>(113,529)</b>   |
| <b>(320,822)</b>   | <b>Net (Increase)/Decrease in the Net Assets Available<br/>for Benefits During the Year</b> |         | <b>(76,589)</b>    |
| (2,760,645)        | Opening Net Assets of the Fund                                                              |         | (3,081,467)        |
| <b>(3,081,467)</b> | <b>Closing Net Assets of the Fund</b>                                                       |         | <b>(3,158,056)</b> |

## Net Assets Statement

| 31 March 2024<br>£000 |                                                                                             | Note    | 31 March 2025<br>£000 |
|-----------------------|---------------------------------------------------------------------------------------------|---------|-----------------------|
|                       | <b>Investment Assets</b>                                                                    |         |                       |
| 2,994,376             | - Investment Assets                                                                         |         | 3,057,783             |
| 102,951               | - Cash Deposits with FM                                                                     |         | 98,673                |
| (19,452)              | Investment Liabilities                                                                      |         | (1,624)               |
| <b>3,077,875</b>      | <b>Total Net Investments</b>                                                                | Note 15 | <b>3,154,832</b>      |
|                       | <b>Long term Assets</b>                                                                     |         |                       |
| 300                   | - CIV Long Term Capital (Founders' Shares)                                                  | Note 29 | 300                   |
| 2,870                 | - Long Term Debtor                                                                          | Note 29 | 2,858                 |
| <b>3,081,045</b>      | <b>Total Long Term Assets</b>                                                               |         | <b>3,157,990</b>      |
|                       | <b>Current Assets</b>                                                                       |         |                       |
| 1,260                 | - Cash Deposits with Bank (incl. Cash in Transit)                                           | Note 30 | 1,183                 |
| 1,815                 | - Current Assets (excl. bank)                                                               | Note 30 | 1,990                 |
| <b>3,075</b>          |                                                                                             |         | <b>3,173</b>          |
| (2,653)               | <b>Current Liabilities</b>                                                                  | Note 30 | (3,107)               |
| <b>(2,653)</b>        |                                                                                             |         | <b>(3,107)</b>        |
| <b>3,081,467</b>      | <b>Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period</b> |         | <b>3,158,056</b>      |

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

## **Notes to the Wandsworth Pension Fund Accounts**

### **Note 1 Description of the Fund**

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

#### **a) General**

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

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

It is a contributory defined benefit pension scheme administered by Wandsworth Council to provide pensions and other benefits for pensionable employees of Wandsworth Council, Richmond Council, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Joint Pensions Committee, which is a committee of Wandsworth Council, and includes representatives from both Wandsworth and Richmond Councils since these councils' funds were merged by [Statutory Instrument 2016/1241](#).

#### **b) Membership**

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

Organisations participating in the Wandsworth Pension Fund include the following:

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

Membership details are set out below:

| 31 March<br>2024 |                                                    | 31 March<br>2025 |
|------------------|----------------------------------------------------|------------------|
| <b>71</b>        | <b>Number of Employers with Active Members</b>     | <b>73</b>        |
|                  | <b>Number of Employees in the Fund</b>             |                  |
| 8,114            | Councils (LBRuT & WBC)                             | 7,998            |
| 3,164            | Other Employers                                    | 3,297            |
| <b>11,278</b>    | <b>Total</b>                                       | <b>11,295</b>    |
|                  | <b>Number of Pensioners (including dependants)</b> |                  |
| 10,258           | Councils (LBRuT & WBC)                             | 10,541           |
| 1,146            | Other Employers                                    | 1,256            |
| <b>11,404</b>    | <b>Total</b>                                       | <b>11,797</b>    |
|                  | <b>Number of Deferred Pensioners</b>               |                  |
| 16,333           | Councils (LBRuT & WBC)                             | 16,450           |
| 3,796            | Other Employers                                    | 3,979            |
| <b>20,129</b>    | <b>Total</b>                                       | <b>20,429</b>    |
| <b>42,811</b>    | <b>Total Number of Members in the Fund</b>         | <b>43,521</b>    |

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 which completed early in 2023 with the new contribution rates applied from 1<sup>st</sup> April 2023. The employer primary contribution rates set at that valuation range from 17.4% to 30% of pensionable pay with an overall Fund primary rate of 20%.

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website [www.lgpsmember.org](http://www.lgpsmember.org)

## Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its financial position at 31 March 2025. The Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis (see Note 3)

Paragraph 3.3.4.3 of the Code requires disclosure of the impact of any accounting standards issued but not yet adopted. This disclosure is made in Note 36.

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

### **Note 3      Going Concern**

The accounts have been prepared on a going concern basis. The Wandsworth Pension Fund remains a statutory open scheme, with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events. All LGPS funds are required to have a Triennial Valuation, where the actuary estimates the net present value of likely future pension payments (taking into account likely pay growth, inflation and longevity) and compares this to the net present value of assets (taking into account growth in market value, reinvestment of returns and so on). This gives a net funding position which is used to decide what contributions are needed for the next 3 years to move towards an acceptable position over up to 20 years (this Fund uses 12 years). The next valuation will use membership and investment data at 31 March 2025, with valuation work taking place during 2025 and the final results being reported to Joint Pensions Committee in March 2026. The Fund and employer accounts for 2024/25 include the contributions agreed at the 2022 valuation.

The Fund's 2022 valuation gave a 116% funding level after allowing for a 10% volatility reserve (approx. £0.3bn). This position is an improvement on the 105% funding at the 31<sup>st</sup> March 2019 valuation, after allowing for the volatility reserve. The volatility reserve gives the Fund added resilience to any market volatility reducing the risk to its long term financial position. The funding level being over 100% provides a buffer for adverse differences between experience over the next 3 years and assumptions made for the valuation. The key assumptions in the valuation are a discount rate of 4.4% and long term average CPI inflation of 2.9%.

The investment return required in the valuation of 4.4% (4.5% for 2019) is a long-term assumption taking into account market volatility and is comparable to the actual return of 4.43% over the 3 years to March 2022. The annual return to 31<sup>st</sup> March 2025 reported to June Committee was +3.08% (the Fund's benchmark was +5.28%), and total assets valued at £3.2bn.

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

The Fund recognises it is cash flow negative in dealings with members and therefore has existing plans in place to cover this cash deficit from investment returns and potentially liquidation of assets if needed in later years. The going concern assumption therefore also considers the medium term position of the Fund. The Fund sets a [3 year cash flow budget](#) every March which shows estimated income and outgoings and returns on investments which can be used to maintain liquidity or for reinvestment as needed. The Fund held £99.9m in cash at 31 March 2025 (see Note 26) and currently has a 65% target asset allocation to liquid assets (equity 55% and bonds 10% with actual value of £2.1bn at 31 March 2025 per Note 15 which could be liquidated quickly if needed. This demonstrates the Fund's short and medium term going concern status.

Richmond and Wandsworth councils represented 72% of regular employer contributions to the Fund during 2024/25, and as administering authority, Wandsworth is the funder of last resort. The Fund therefore received the majority of its income from public bodies backed by the government, as well as having recourse to one of these bodies for short term lending if needed,

giving a high level of certainty over cashflows. The Fund has the power to borrow to fund benefit payments or for investment when repayment can be made within 90 days under [Statutory Instrument 2016/946](#).

## **Note 4      Summary of Significant Accounting Policies**

### **Fund Account – revenue recognition**

#### **a) Contribution income**

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

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

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

#### **b) Transfers to and from other schemes**

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 31) to purchase scheme benefits are accounted for on a cash receipts basis and are included in Transfers In (Note 9).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. Where the agreement sets a date for the transfer, estimated values are recognised on this date where estimation is possible. Where no date is set, or accurate estimation is not possible, transfers are recognised on a cash basis.

#### **c) Investment income**

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset. The Fund does not currently own any directly held shares or bonds.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Rental income is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due. The Fund does not currently own any directly held property.

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **Fund Account – expense items**

**d) Benefits payable**

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

**e) Taxation**

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

**f) Management expenses**

The Fund discloses its pension fund management expenses (which includes fees charged by the LCIV) in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Administrative expenses        | The overall costs of the pensions administration team (including staffing, accommodation, management and other overheads) are analysed and the proportion of these costs relating to administering the Fund are charged as expenses to the Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Oversight and governance       | All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Investment management expenses | <p>Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown in Note 12 and grossed up to increase the quarterly income to be gross of fees.</p> <p>Fees charged by external investment managers and the 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.</p> <p>In addition the fund has paid performance related fees to Oakhill (MAC) and JP Morgan (Infrastructure). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.</p> <p>The proportion of the time spent by Council officers on investment management activity is recharged to the Fund.</p> |

**Net Assets Statement****g) Financial assets**

LCIV Long Term Capital represents regulatory capital of the London CIV (LCIV) which is the London LGPS investment pool, and the investment is not repayable on demand. This is not an investment, this is a regulatory requirement to enable the Fund to participate in LCIV's pooling arrangements. Fair value at 31 March 2025 is cost as the shares are not tradable but can be redeemed for face value if the Fund were to withdraw from LCIV. This value includes both

Wandsworth and Richmond shares due to the Funds having merged in 2016. Investments accessed via the LCIV are reported as such in the relevant asset class.

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31 March 2025, this value has been amended for calls and distributions since the reporting period and change in the exchange rate as the best estimate of fair value at 31 March 2025, in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

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

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

#### **h) Freehold and leasehold properties**

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

#### **i) Foreign currency transactions**

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

#### **j) Derivatives**

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

#### **k) Long Term Debtors**

Where the Fund makes a tax payment on behalf of a pensioner (under 2016 or other regulations) this payment is carried as a long term debtor. The debt is recovered by reducing their benefit payments by an actuarially assessed amount, and written down to the Fund Account over the relevant duration (see Note 29).

#### **l) Cash and cash equivalents**

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

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

**m) Loans and receivables**

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

**n) Financial liabilities**

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

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

**o) Actuarial present value of promised retirement benefits**

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

**p) Additional voluntary contributions**

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

**q) Contingent assets and contingent liabilities**

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

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

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

## **Note 5 Critical Judgements in Applying Accounting Policies**

### **Pension Fund Liability**

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

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

### Impacts of Inflation and High Interest Rates

Inflation is a key assumption in the Fund's triennial valuation and therefore potentially impacts the valuation disclosure in Note 27 and the Going Concern assumption (Note 3). The valuation was scrutinised by Joint Pensions Committee and discussion testing the long term assumption for inflation has been minuted. The actuarial view is that while inflation is at a 40 year high this is a short term position only and therefore has a much lower impact over the long term investment horizon of the Fund. This assumption at the 2022 valuation has been matched by reductions bringing CPI down to 2.6% for March 2025. The actuary's valuation takes account of the use of September CPI to annually inflate benefit payments and again while this is projected to have an immediate impact on cashflows (see [3 year cash flow budget](#)) the long and short term impacts are built into the relevant projections.

Likewise the current interest rate levels and likely duration at this level (which is linked to inflation assumptions) have been considered in the triennial valuation and shorter term cash flow projections (where prudence has also been considered).

### Private Debt and Infrastructure investments (Level 3 Investments)

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31 March 2025, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

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

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

The judgements used in assessing asset values where manager valuations at 31 March 25 are unavailable are detailed in Note 5. The Level 3 assets which rely on professional judgement due to lack of market information are valued at £432.1m (Note 23) and a 1% change in value is £4.3m.

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

The Fund has opted to disclose the actuarial present value of promised retirement benefits by way of Note 28 and the estimation and assumptions inherent in this calculation therefore has no impact on the Net Asset Statement.

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

| <b><u>Item</u></b>    | <b><u>Uncertainties</u></b>                                                                                                                                                                                                                  | <b><u>Effect if actual results differ from assumptions</u></b>                                                                                                                                                                                                                        |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pooled property funds | Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible the fund valuer uses the best available data. | Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £15.2m, on carrying values of £151.6m.      |
| Infrastructure funds  | Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets in similar way to property funds.                                              | Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of infrastructure-based investments by up to 10% i.e. an increase or decrease of £27.7, on carrying values of £277.4m. |

|                    |                                                                                                                                                                                                      |                                                                                                                                                                                                                                                               |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Private debt funds | Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets which are high yield debt instruments. | Changes in the valuation assumptions used, together with significant changes in credit rating of the counterparties could affect the fair value of debt-based investments by up to 10% i.e. an increase or decrease of £15.5m, on carrying values of £154.7m. |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## **Note 7 Events After the Reporting Date**

There were no events after the reporting date of 31 March 2025.

## **Note 8 Contributions Receivable**

| 31 March 2024<br>£000 |                                        | 31 March 2025<br>£000 |
|-----------------------|----------------------------------------|-----------------------|
| (19,884)              | <b>Employees' Contributions</b>        | (20,942)              |
| (58,627)              | Normal Contributions                   | (62,079)              |
| 1,042                 | Deficit Recovery Contributions         | 497                   |
| (978)                 | Augmentation Contributions             | (1,589)               |
| (58,563)              | <b>Employers' Contributions</b>        | (63,171)              |
| (78,447)              | <b>Total Contributions by Category</b> | (84,113)              |
| (57,447)              | Councils (LBRuT & WBC)                 | (61,285)              |
| (12,198)              | Scheduled Bodies                       | (13,414)              |
| (2,419)               | Admitted Bodies                        | (2,445)               |
| (6,383)               | Designated Bodies                      | (6,969)               |
| (78,447)              | <b>Total Contributions by Body</b>     | (84,113)              |

## **Note 9 Transfers In from Other Pension Funds**

| 31 March 2024<br>£000 |                      | 31 March 2025<br>£000 |
|-----------------------|----------------------|-----------------------|
| 0                     | Group Transfers      | 0                     |
| (6,038)               | Individual Transfers | (9,699)               |
| (6,038)               |                      | (9,699)               |

**Note 10      Benefits Payable**

| 31 March 2024<br>£000 |                                              | 31 March 2025<br>£000 |
|-----------------------|----------------------------------------------|-----------------------|
| 79,569                | Pensions                                     | 85,994                |
| 12,483                | Commutation and Lump Sum Retirement Benefits | 15,460                |
| 1,961                 | Lump Sum Death Benefits                      | 1,235                 |
| <b>94,013</b>         | <b>Total Benefits by Category</b>            | <b>102,689</b>        |
| 84,390                | Councils (LBRuT & WBC)                       | 91,278                |
| 3,971                 | Scheduled Bodies                             | 4,929                 |
| 4,325                 | Admitted Bodies                              | 5,397                 |
| 1,327                 | Designated Bodies                            | 1,085                 |
| <b>94,013</b>         | <b>Total Benefits by Body</b>                | <b>102,689</b>        |

**Note 11      Payments To and On Account of Leavers**

| 31 March 2024<br>£000 |                                                | 31 March 2025<br>£000 |
|-----------------------|------------------------------------------------|-----------------------|
| 336                   | Refund to Members Leaving Service              | 420                   |
| 45,241                | Group Transfers                                | 0                     |
| 14,090                | Individual Transfers                           | 13,441                |
| <b>59,667</b>         | <b>Total Payments to/on account of Leavers</b> | <b>13,861</b>         |

Richmond Upon Thames College employer transferred to the Hillingdon Pension Fund as a result of a merger with Uxbridge College, with a net asset value of £45.2m transferred during March 2024.

**Note 12      Management Expenses**

| 2023/24<br>£000 | Management Costs               | 2024/25<br>£000 |
|-----------------|--------------------------------|-----------------|
| 1,318           | Administrative Costs           | 1,371           |
| 12,165          | Investment Management Expenses | 12,332          |
| 381             | Oversight & Governance Costs   | 499             |
| <b>13,864</b>   | <b>Total Management Costs</b>  | <b>14,202</b>   |

| 2023/24                 |                          |                    | Detail of Investment Management Expenses                           | 2024/25                 |                          |                    |
|-------------------------|--------------------------|--------------------|--------------------------------------------------------------------|-------------------------|--------------------------|--------------------|
| Management Fees<br>£000 | Performance Fees<br>£000 | Total Fees<br>£000 |                                                                    | Management Fees<br>£000 | Performance Fees<br>£000 | Total Fees<br>£000 |
| 229                     |                          | 229                | <b>Bonds</b><br>Allianz<br>(ended 8 October 2024)                  | 109                     |                          | 109                |
| 1,291                   |                          | 1,291              | <b>Pooled Equity</b><br>LCIV Global Alpha Growth (Baillie Gifford) | 1,410                   |                          | 1,410              |
| 2,170                   |                          | 2,170              | LCIV Global Equity Focus (Longview)                                | 2,456                   |                          | 2,456              |
| 167                     |                          | 167                | Legal & General Global Equity (managed by LCIV)                    | 186                     |                          | 186                |
| 26                      |                          | 26                 | LCIV fee for managing Legal & General Equity                       | 29                      |                          | 29                 |
| 973                     |                          | 973                | LCIV Sustainable Equity (RBC)                                      | 1,056                   |                          | 1,056              |
| 56                      |                          | 56                 | <b>Pooled Bonds</b><br>Janus Henderson<br>(ended 8 October 2024)   | 28                      |                          | 28                 |
| 6                       |                          | 6                  | Legal & General Bonds (managed by LCIV)                            | 6                       |                          | 6                  |
| 2                       |                          | 2                  | LCIV fee for managing Legal & General Bonds                        | 2                       |                          | 2                  |
| 0                       |                          | 0                  | LCIV Buy & Maintain All Duration Bonds<br>(from 9 October 2024)    | 93                      |                          | 93                 |
| 812                     |                          | 812                | <b>Pooled Multi-Asset</b><br>LCIV Alternative Credit (CQS)         | 811                     |                          | 811                |
| 663                     | 384                      | 1,047              | Oakhill                                                            | 685                     | 10                       | 695                |
| 27                      |                          | 27                 | <b>Pooled Property</b><br>CCLA                                     | 25                      |                          | 25                 |
| 122                     |                          | 122                | Legal & General                                                    | 125                     |                          | 125                |
| 252                     |                          | 252                | Nuveen (UKPF)<br>(ended 28 February 2025)                          | 222                     |                          | 222                |
| 410                     |                          | 410                | Schroders                                                          | 382                     |                          | 382                |
| 0                       |                          | 0                  | Threadneedle TPUT<br>(from 28 February 2025)                       | 33                      |                          | 33                 |
| 569                     | 153                      | 722                | <b>Pooled Infrastructure</b><br>JP Morgan                          | 547                     | 433                      | 980                |
| 483                     |                          | 483                | Pantheon                                                           | 452                     |                          | 452                |
| 1,055                   |                          | 1,055              | LCIV Renewable Infrastructure                                      | 1,061                   |                          | 1,061              |
| 492                     |                          | 492                | Sandbrook                                                          | 511                     |                          | 511                |
| 53                      |                          | 53                 | Octopus                                                            | 84                      |                          | 84                 |
| 165                     |                          | 165                | <b>Pooled Private Debt</b><br>Brightwood                           | 161                     |                          | 161                |
| 674                     |                          | 674                | Churchill                                                          | 521                     |                          | 521                |
| 528                     |                          | 528                | Permira                                                            | 480                     |                          | 480                |
| 168                     |                          | 168                | <b>Derivatives - FX Hedging for risk management</b><br>Russell     | 179                     |                          | 179                |
| 101                     |                          | 101                | <b>Central Fees</b><br>LCIV (London regional pool)                 | 98                      |                          | 98                 |
| (11)                    |                          | (11)               | Fixed Costs<br>Other - Balance of Estimated Fees                   | 2                       |                          | 2                  |
| <b>11,483</b>           | <b>537</b>               | <b>12,020</b>      | <b>Total paid to Fund Managers</b>                                 | <b>11,754</b>           | <b>443</b>               | <b>12,197</b>      |
|                         |                          | 40                 | Custodian - Custody Fees                                           |                         |                          | 31                 |
|                         |                          | 105                | Administering Authority monitoring cost                            |                         |                          | 104                |
|                         |                          | <b>12,165</b>      | <b>Total Investment Management Expenses</b>                        |                         |                          | <b>12,332</b>      |

Transaction costs are defined as direct incremental costs of acquiring an asset, such as broker's commission. These are only available for segregated investments. Pooled investments report returns net of these direct costs due to the nature of the investment vehicle.

Administering Authority monitoring costs are an allocation of administering authority staff costs relating to monitoring investments.

### Note 13 Investment Income

Returns on investment may be in the form of cash, revaluation gain on the value of existing units or issue of new units. The table below shows only income in the form of cash recognised in the Fund Account as Investment Income. Other returns will be included in the (Profit)/Loss on Disposal of Investments and Changes in the Value of Investments which is split by asset class in Note 16.

| 2023/24<br>£000 |                                             | 2024/25<br>£000 |
|-----------------|---------------------------------------------|-----------------|
|                 | <b>Income from</b>                          |                 |
|                 | <u>Direct Investments</u>                   |                 |
| (8,272)         | Bonds                                       | (2,102)         |
|                 | <u>Pooled Investments</u>                   |                 |
| (15,158)        | Pooled Equity                               | (14,825)        |
| (422)           | Pooled Bonds *                              | (3,276)         |
| (1,860)         | Pooled Multi Asset Credit *                 | (1,507)         |
| (6,149)         | Pooled Property                             | (5,854)         |
| (9,677)         | Pooled Infrastructure                       | (10,645)        |
| (21,731)        | Pooled Private Debt                         | (18,993)        |
|                 | <u>Cash and Equivalents</u>                 |                 |
| (4,159)         | Cash Deposits                               | (5,530)         |
| <b>(67,428)</b> | <b>Total Investment Income</b>              | <b>(62,732)</b> |
|                 | <b>Taxes on Income</b>                      |                 |
| 1               | Overseas Withholding Tax on Bonds           | 0               |
| 278             | Overseas Withholding Tax on Pooled Vehicles | 296             |
| <b>279</b>      | <b>Total Taxes on Income</b>                | <b>296</b>      |

\* Balances were previously collated in a single line, which is now separated to match the detail given elsewhere in the accounts. 2023/24 balance is represented with this detail split.

The Fund moved its directly held bond investments to the LCIV pooled fund in October 2024, with the manager reducing trading in the lead up to the transfer to facilitate the asset transfer.

### Property Income

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

### Note 14 External Audit Costs

| 31 March 2024<br>£000 |                                                | 31 March 2025<br>£000 |
|-----------------------|------------------------------------------------|-----------------------|
| 81                    | Cost of External Audit for the year of account | 112                   |
| 9                     | Change in Prior Year Fee Adjustments           | 129                   |
| 0                     | Prior year Fee Rebate (Government grant)       | (12)                  |
| <b>90</b>             |                                                | <b>229</b>            |

2023/24 was the first year of a new contract for external audit. The new contract price has been increased to include the costs of changes to audit requirements and other changes during the last contract which have been subject to debated additional charges in recent years. PSAA has agreed amendments to the 2020/21 and 2021/22 audit fees, and the auditor has provided proposed increases for 2022/23 and 2023/24. They have indicated that there will be a similar increase to the 2024/25 fee, and an accrual has therefore been made to match the 2023/24 adjustment.

## Note 15 Investments

| 31 March 2024<br>£000 |                                        | 31 March 2025<br>£000 |
|-----------------------|----------------------------------------|-----------------------|
|                       | <b>Investment Assets</b>               |                       |
| 200,299               | Bonds                                  | 0                     |
|                       | Pooled Funds                           |                       |
| 1,797,384             | - Equity                               | 1,809,059             |
| 75,550                | - Fixed Income Bonds                   | 315,994               |
| 312,859               | - Fixed Income Multi Asset Credit      | 325,657               |
| 150,389               | - Property                             | 151,566               |
| 246,069               | - Infrastructure                       | 277,392               |
| 190,360               | - Private debt                         | 154,660               |
|                       | Derivative Contracts                   |                       |
| 478                   | - Futures                              | 0                     |
| 2,226                 | - Forward currency contracts           | 23,046                |
| 13,188                | Cash Collateral                        | 0                     |
| 5,075                 | Investment Income Due                  | 409                   |
| 499                   | Amounts Receivable for Sales           | 0                     |
| 0                     | Amounts Receivable for Pending Spot FX | 0                     |
| <b>2,994,376</b>      | <b>Other Investment Assets</b>         | <b>3,057,783</b>      |
| 102,951               | Cash Deposits                          | 98,673                |
| <b>3,097,327</b>      | <b>Total Investment Assets</b>         | <b>3,156,456</b>      |
|                       | <b>Investment Liabilities</b>          |                       |
|                       | Derivative Contracts                   |                       |
| (279)                 | - Futures                              | 0                     |
| (3,477)               | - Forward currency contracts           | (1,624)               |
| (2,508)               | Amounts Payable for Purchases          | 0                     |
| (13,188)              | Other Investment Liabilities           | 0                     |
| <b>(19,452)</b>       | <b>Total Investment Liabilities</b>    | <b>(1,624)</b>        |
| <b>3,077,875</b>      | <b>Net Investment Assets</b>           | <b>3,154,832</b>      |

The directly held bonds managed by Allianz were transferred to an LCIV pooled bond fund in October. Allianz were actively trading and therefore had sales and purchase debtors at year end, along with pending exchange transactions and futures which are now nil.

## Note 16 Reconciliation of Movements in Investments and Derivatives

| Asset Category                                                             | Market Value 1 April 2023 | 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 2024 |
|----------------------------------------------------------------------------|---------------------------|---------------------------------------------------|-----------------------------------------------|----------------------------------------|----------------------------|
|                                                                            | £000                      | £000                                              | £000                                          | £000                                   | £000                       |
| Bonds                                                                      | 174,935                   | 133,702                                           | (114,881)                                     | 6,543                                  | 200,299                    |
| Pooled Equity                                                              | 1,561,008                 | 8,231                                             | (50,878)                                      | 279,023                                | 1,797,384                  |
| Pooled Fixed Income Bonds                                                  | 71,259                    | 276                                               | 0                                             | 4,015                                  | 75,550                     |
| Pooled Fixed Income MAC                                                    | 285,390                   | 0                                                 | (10,238)                                      | 37,707                                 | 312,859                    |
| Pooled Property                                                            | 156,097                   | 4,005                                             | 0                                             | (9,713)                                | 150,389                    |
| Infrastructure                                                             | 207,047                   | 49,792                                            | (5,469)                                       | (5,301)                                | 246,069                    |
| Private debt                                                               | 195,366                   | 14,414                                            | (16,035)                                      | (3,385)                                | 190,360                    |
| <b>Investments excl. Derivatives</b>                                       | <b>2,651,102</b>          | <b>210,420</b>                                    | <b>(197,501)</b>                              | <b>308,889</b>                         | <b>2,972,910</b>           |
| Derivative Contract:                                                       |                           |                                                   |                                               |                                        |                            |
| Futures                                                                    | (373)                     | 2,382                                             | (2,618)                                       | 808                                    | 199                        |
| Forward Currency Contracts                                                 | 10,677                    | 49,332                                            | (88,718)                                      | 27,458                                 | (1,251)                    |
|                                                                            | <b>2,661,406</b>          | <b>262,134</b>                                    | <b>(288,837)</b>                              | <b>337,155</b>                         | <b>2,971,858</b>           |
| Other Investment Balances: *                                               |                           |                                                   |                                               |                                        |                            |
| Cash Deposits                                                              | 92,497                    | 131,273                                           | (120,466)                                     | (353)                                  | 102,951                    |
| Amount Receivable for Sales & Investments                                  | 405                       | 94                                                | 0                                             | 0                                      | 499                        |
| Investment Income Due                                                      | 3,974                     | 1,149                                             | (48)                                          | 0                                      | 5,075                      |
| Spot FX Contracts                                                          | 0                         | 54                                                | (39)                                          | (15)                                   | 0                          |
| Amount Payable for Purchases of Investments                                | (1,375)                   | 0                                                 | (1,130)                                       | (3)                                    | (2,508)                    |
| Cash Collateral                                                            | 7,062                     | 7,256                                             | (903)                                         | (227)                                  | 13,188                     |
| Obligation to Return Cash Collateral                                       | (7,788)                   | 4,373                                             | (9,948)                                       | 175                                    | (13,188)                   |
| <b>Total Net Investments</b>                                               | <b>2,756,181</b>          | <b>406,333</b>                                    | <b>(421,371)</b>                              | <b>336,732</b>                         | <b>3,077,875</b>           |
| Other changes in balances recognised in the Fund Account                   |                           |                                                   |                                               |                                        |                            |
| <b>Profit/(Loss) on Disposal of Investment and changes in Market Value</b> |                           |                                                   |                                               | <b>336,732</b>                         |                            |

\* The Other Investment Balances part of the table has been represented to give the same detail as the Investments and Derivatives section above it. This presentational change expands on the detail reported in the 2023/24 accounts but does not change the overall totals.

Purchases and sales of derivatives are recognised as follows:

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

| Asset Category                                                             | Market Value 1 April 2024 | 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 2025 |
|----------------------------------------------------------------------------|---------------------------|---------------------------------------------------|-----------------------------------------------|----------------------------------------|----------------------------|
|                                                                            | £000                      | £000                                              | £000                                          | £000                                   | £000                       |
| Bonds                                                                      | 200,299                   | 41,945                                            | (117,050)                                     | (125,194)                              | 0                          |
| Pooled Global Equity                                                       | 1,797,384                 | 7,819                                             | 0                                             | 3,856                                  | 1,809,059                  |
| Pooled Fixed Income Bonds                                                  | 75,550                    | 150,000                                           | (35,242)                                      | 125,686                                | 315,994                    |
| Pooled Fixed Income MAC                                                    | 312,859                   | 0                                                 | (10,063)                                      | 22,861                                 | 325,657                    |
| Pooled Property                                                            | 150,389                   | 3,725                                             | 0                                             | (2,548)                                | 151,566                    |
| Pooled Infrastructure                                                      | 246,069                   | 39,507                                            | (13,369)                                      | 5,185                                  | 277,392                    |
| Pooled Private debt                                                        | 190,360                   | 12,054                                            | (41,984)                                      | (5,770)                                | 154,660                    |
| <b>Investments excl. Derivatives</b>                                       | <b>2,972,910</b>          | <b>255,050</b>                                    | <b>(217,708)</b>                              | <b>24,076</b>                          | <b>3,034,328</b>           |
| Derivative Contract:                                                       |                           |                                                   |                                               |                                        |                            |
| Futures                                                                    | 199                       | 2,379                                             | (1,478)                                       | (1,100)                                | 0                          |
| Forward Currency Contracts                                                 | (1,251)                   | 62,007                                            | (68,179)                                      | 28,845                                 | 21,422                     |
|                                                                            | <b>2,971,858</b>          | <b>319,436</b>                                    | <b>(287,365)</b>                              | <b>51,821</b>                          | <b>3,055,750</b>           |
| Other Investment Balances:                                                 |                           |                                                   |                                               |                                        |                            |
| Cash Deposits                                                              | 102,951                   | 225,036                                           | (228,534)                                     | (779)                                  | 98,673                     |
| Amount Receivable for Sales & Investments                                  | 499                       | 0                                                 | (499)                                         | 0                                      | 0                          |
| Investment Income Due                                                      | 5,075                     | 2                                                 | (4,668)                                       | 0                                      | 409                        |
| Spot FX Contracts                                                          | 0                         | 70                                                | (113)                                         | 43                                     | 0                          |
| Amount Payable for Purchases of Investments                                | (2,508)                   | 2,506                                             | 0                                             | 2                                      | 0                          |
| Cash Collateral                                                            | 13,188                    | 4,423                                             | (92)                                          | (17,520)                               | 0                          |
| Obligation to Return Cash Collateral                                       | (13,188)                  | 1,022                                             | (5,361)                                       | 17,526                                 | 0                          |
| <b>Total Net Investments</b>                                               | <b>3,077,875</b>          | <b>552,495</b>                                    | <b>(526,632)</b>                              | <b>51,093</b>                          | <b>3,154,832</b>           |
| Other changes in balances recognised in the Fund Account                   |                           |                                                   |                                               |                                        |                            |
| <b>Profit/(Loss) on Disposal of Investment and changes in Market Value</b> | <b>51,093</b>             |                                                   |                                               |                                        |                            |

## Note 17 Investments Analysed by Fund Manager

| Market Value 31<br>March 2024                                  |              |                                                        | Market Value 31<br>March 2025 |              |  |
|----------------------------------------------------------------|--------------|--------------------------------------------------------|-------------------------------|--------------|--|
| £000                                                           | %            |                                                        | £000                          | %            |  |
|                                                                |              | <b>Pooled (London LCIV)</b>                            |                               |              |  |
|                                                                |              | <b>Equity</b>                                          |                               |              |  |
| 563,765                                                        | 18.3         | London LGPS LCIV (Global Equity Focus Longview)        | 555,411                       | 17.6         |  |
| 399,759                                                        | 13.0         | London LGPS LCIV (Global Alpha Growth Baillie Gifford) | 386,850                       | 12.3         |  |
| 291,549                                                        | 9.5          | London LGPS LCIV (Sustainable Equity Fund RBC)         | 295,763                       | 9.4          |  |
|                                                                |              | <b>Bonds</b>                                           |                               |              |  |
| 0                                                              | 0.0          | London LGPS LCIV (Buy & Maintain All Duration bonds)   | 273,819                       | 8.7          |  |
|                                                                |              | <b>MAC</b>                                             |                               |              |  |
| 166,856                                                        | 5.4          | London LGPS LCIV (Alternative Credit CQS)              | 181,415                       | 5.8          |  |
|                                                                |              | <b>Infrastructure</b>                                  |                               |              |  |
| 61,382                                                         | 2.0          | London LGPS LCIV (Renewable Infrastructure)            | 76,963                        | 2.4          |  |
| <b>1,483,311</b>                                               | <b>48.2</b>  | <b>Pooled total</b>                                    | <b>1,770,221</b>              | <b>56.2</b>  |  |
|                                                                |              | <b>Under Pool Management (London CIV)</b>              |                               |              |  |
|                                                                |              | <b>Equity</b>                                          |                               |              |  |
| 542,468                                                        | 17.6         | Legal & General (Passive equity)                       | 571,086                       | 18.1         |  |
|                                                                |              | <b>Bonds</b>                                           |                               |              |  |
| 41,202                                                         | 1.3          | Legal & General (Bonds)                                | 42,177                        | 1.3          |  |
| <b>583,670</b>                                                 | <b>18.9</b>  |                                                        | <b>613,263</b>                | <b>19.4</b>  |  |
|                                                                |              | <b>Direct Investment in Pooled Products</b>            |                               |              |  |
|                                                                |              | <b>Bonds</b>                                           |                               |              |  |
| 205,418                                                        | 6.7          | Allianz (Enhanced Bonds)*                              | 0                             | 0.0          |  |
| 34,779                                                         | 1.1          | Janus Henderson (Pooled Bonds)                         | 0                             | 0.0          |  |
|                                                                |              | <b>MAC</b>                                             |                               |              |  |
| 146,013                                                        | 4.8          | Oakhill (Multi-Asset Credit)                           | 144,242                       | 4.7          |  |
|                                                                |              | <b>Property</b>                                        |                               |              |  |
| 41,143                                                         | 1.3          | Nuveen Real Estate UKPF (Pooled Property)              | 0                             | 0.0          |  |
| 0                                                              | 0.0          | Threadneedle Property Unit Trust (Pooled Property)     | 37,751                        | 1.2          |  |
| 4,052                                                          | 0.1          | CCLA / LAMIT (Pooled Property)                         | 4,130                         | 0.1          |  |
| 86,773                                                         | 2.8          | Schroders SCREF (Pooled Property)                      | 89,732                        | 2.8          |  |
| 18,585                                                         | 0.6          | L&G (Pooled Property)                                  | 19,952                        | 0.6          |  |
|                                                                |              | <b>Infrastructure</b>                                  |                               |              |  |
| 101,449                                                        | 3.3          | JP Morgan Asset Management (Infrastructure)            | 102,032                       | 3.2          |  |
| 61,405                                                         | 2.0          | Pantheon Ventures (Infrastructure)                     | 54,781                        | 1.7          |  |
| 13,411                                                         | 0.4          | Sandbrook (Infrastructure)                             | 18,700                        | 0.6          |  |
| 12,242                                                         | 0.4          | Octopus (Infrastructure)                               | 24,916                        | 0.8          |  |
|                                                                |              | <b>Private Debt</b>                                    |                               |              |  |
| 21,042                                                         | 0.7          | Brightwood (Private Debt)                              | 16,694                        | 0.5          |  |
| 81,904                                                         | 2.7          | Churchill (Private Debt)                               | 66,741                        | 2.1          |  |
| 88,624                                                         | 2.9          | Permira Advisors LLP (Private Debt)                    | 71,229                        | 2.3          |  |
|                                                                |              | <b>Cash and Cash Equivalents</b>                       |                               |              |  |
| 95,046                                                         | 3.1          | Northern Trust (Custodian)                             | 99,026                        | 3.1          |  |
| (992)                                                          | 0.0          | Russell Investments (FX Overlay)*                      | 21,422                        | 0.7          |  |
| <b>1,010,894</b>                                               | <b>32.9</b>  | <b>Direct total</b>                                    | <b>771,348</b>                | <b>24.4</b>  |  |
| <b>3,077,875</b>                                               | <b>100.0</b> | <b>Total Net Investments</b>                           | <b>3,154,832</b>              | <b>100.0</b> |  |
| * Segregated assets. All other assets held via pooled vehicles |              |                                                        |                               |              |  |

The following investments represent over 5% of the net assets of the Fund. All of these companies are registered in the UK.

| Market Value 31<br>March 2024 |             |                                                        | Market Value 31<br>March 2025 |             |  |
|-------------------------------|-------------|--------------------------------------------------------|-------------------------------|-------------|--|
| £000                          | %           |                                                        | £000                          | %           |  |
| 542,468                       | 17.6        | L&G (Passive equity)                                   | 571,086                       | 18.1        |  |
| 563,765                       | 18.3        | London LGPS LCIV (Global Equity Focus Longview)        | 555,411                       | 17.6        |  |
| 399,759                       | 13.0        | London LGPS LCIV (Global Alpha Growth Baillie Gifford) | 386,850                       | 12.3        |  |
| 291,549                       | 9.5         | London LGPS LCIV (Sustainable Equity Fund RBC)         | 295,763                       | 9.4         |  |
| 0                             | 0.0         | London LGPS LCIV (Buy & Maintain All Duration bonds)   | 273,819                       | 8.7         |  |
| 166,856                       | 5.4         | London LGPS LCIV (Alternative Credit CQS)              | 181,415                       | 5.8         |  |
| 205,418                       | 6.7         | Allianz (Enhanced Bonds)                               | 0                             | 0.0         |  |
| <b>2,169,815</b>              | <b>70.5</b> |                                                        | <b>2,264,344</b>              | <b>71.9</b> |  |

## **Note 18     Stock Lending**

Stock lending is normally prohibited in segregated investment management agreements.

## **Note 19     Property Holdings**

The Fund's investment in property is through pooled property funds. The Fund does not directly hold property.

## **Note 20     Analysis of Derivatives**

### **Objectives and Policies for Holding Derivatives**

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

In addition to derivatives contained within pooled vehicles (such as the Multi-Asset Credit funds) the Fund uses derivatives in :

- (1) the Allianz Global Investors bond mandate, largely to mitigate "off-benchmark" risks that are a feature of the manager's permitted investment approach (investment ended October 2024)
- (2) in a strategic currency hedging programme ("Passive Currency Overlay / PCO") implemented by Russell Investments, which is described under b) Forward Foreign Currency below

### **a) Futures**

The Fund held futures as part of Allianz fund manager's interest rate risk management strategy. The directly held investment managed by Allianz was moved to a pooled investment with LCIV in October leaving no exposure to futures at 31 March 2025:

| Economic Exposure<br>£000 | Market Value<br>31 March<br>2024<br>£000 | Type                          | Expires  | Economic Exposure<br>£000 | Market Value<br>31 March<br>2025<br>£000 |
|---------------------------|------------------------------------------|-------------------------------|----------|---------------------------|------------------------------------------|
|                           |                                          | <b>Assets</b>                 |          |                           |                                          |
| 20,288                    | 465                                      | UK Fixed Income Futures       | < 1 Year | 0                         | 0                                        |
| (5,308)                   | 13                                       | Overseas Fixed Income Futures | < 1 Year | 0                         | 0                                        |
|                           | <b>478</b>                               | <b>Total Assets</b>           |          |                           | <b>0</b>                                 |
|                           |                                          | <b>Liabilities</b>            |          |                           |                                          |
| 0                         | 0                                        | UK Fixed Income Futures       | < 1 Year | 0                         | 0                                        |
| (33,698)                  | (279)                                    | Overseas Fixed Income Futures | < 1 Year | 0                         | 0                                        |
|                           | <b>(279)</b>                             | <b>Total Liabilities</b>      |          |                           | <b>0</b>                                 |
|                           | <b>199</b>                               | <b>Net Futures</b>            |          |                           | <b>0</b>                                 |

### b) Forward Foreign Currency

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

The following arrangements were in place during 2024/25:

| Financial instrument                                     | How this has been applied to manage risk                                                                                                                                                                                                                                                                                               | Possible impact on future cash flows                                                                                                                                             |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exchange rate hedge - Forward foreign exchange contracts | Mitigate the risk that adverse movements on foreign exchange rates will affect the carrying value and investment income relating to pooled funds including quoted overseas equities. Settlement is calculated at the contract end date based on the difference between spot rate and forward rate on a specified basket of currencies. | Note 26 shows the impact of 1% potential market movement in exchange rates. For a 10% reduction in exchange rates, the hedge would cover a loss of £107.6m (£108.7m in 2023/24). |

The details of the passive currency hedging implementation within the Fund based on the currency the investment is in are as follows:

| Asset Class    | Methodology                                                                                                                                                                                                                                                                                                                                          |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Global Equity  | 50% of notional currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards. The currencies are hedged according to the MSCI World Index allocations (rather than by reference to underlying actual exposures, where these may differ). Proxies for certain currencies are used where considered appropriate. |
| Infrastructure | 50% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.                                                                                                                                                                                                                                       |
| Private Debt   | 100% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.                                                                                                                                                                                                                                      |

The accuracy of the hedge is reliant on changes to asset values being communicated in a timely manner, and it is therefore accepted that the hedge may be up to 5% variant to the target at any point.

Infrastructure and private debt managers may also use currency hedging within their pooled vehicles.

Open Forward Foreign Currency Contracts are as follows:

| Settlements                                             | Currency Bought | Local Value of Currency Bought<br>£000 | Currency Sold | Local Value of Currency Sold<br>£000 | Asset Value<br>£000 | Liability Value<br>£000 |
|---------------------------------------------------------|-----------------|----------------------------------------|---------------|--------------------------------------|---------------------|-------------------------|
| < 1 month                                               | AUD             | 166                                    | GBP           | (80)                                 | 0                   | 0                       |
| < 1 month                                               | GBP             | 18,863                                 | CHF           | (20,835)                             | 556                 | 0                       |
| < 1 month                                               | GBP             | 44,004                                 | JPY           | (8,301,893)                          | 855                 | 0                       |
| < 1 month                                               | GBP             | 8,709                                  | SEK           | (117,489)                            | 0                   | (368)                   |
| < 1 month                                               | GBP             | 2,898                                  | SGD           | (4,814)                              | 119                 | 0                       |
| < 1 month                                               | GBP             | 13,045                                 | AUD           | (25,649)                             | 658                 | 0                       |
| < 1 month                                               | GBP             | 207,566                                | USD           | (254,650)                            | 10,265              | 0                       |
| < 1 month                                               | GBP             | 71,720                                 | EUR           | (84,464)                             | 923                 | 0                       |
| < 1 month                                               | GBP             | 24,326                                 | CAD           | (43,036)                             | 1,127               | 0                       |
| < 1 month                                               | GBP             | 28                                     | HKD           | (277)                                | 0                   | 0                       |
| < 1 month                                               | HKD             | 5,802                                  | GBP           | (608)                                | 0                   | (30)                    |
| < 1 month                                               | JPY             | 129,374                                | GBP           | (676)                                | 0                   | (3)                     |
| < 1 month                                               | USD             | 39,607                                 | GBP           | (30,932)                             | 0                   | (245)                   |
| 1-6 months                                              | CHF             | 700                                    | GBP           | (622)                                | 0                   | (5)                     |
| 1-6 months                                              | GBP             | 21,873                                 | EUR           | (26,159)                             | 14                  | (123)                   |
| 1-6 months                                              | GBP             | 695,728                                | USD           | (888,403)                            | 8,190               | (795)                   |
| 1-6 months                                              | GBP             | 11,331                                 | JPY           | (2,154,574)                          | 57                  | 0                       |
| 1-6 months                                              | GBP             | 5,457                                  | HKD           | (54,746)                             | 0                   | (6)                     |
| 1-6 months                                              | GBP             | 6,441                                  | CAD           | (11,646)                             | 150                 | 0                       |
| 1-6 months                                              | GBP             | 7,069                                  | CHF           | (7,964)                              | 21                  | 0                       |
| 1-6 months                                              | GBP             | 612                                    | SGD           | (1,051)                              | 3                   | 0                       |
| 1-6 months                                              | GBP             | 4,341                                  | AUD           | (8,764)                              | 107                 | 0                       |
| 1-6 months                                              | GBP             | 982                                    | SEK           | (13,163)                             | 0                   | (37)                    |
| 1-6 months                                              | HKD             | 4,825                                  | GBP           | (492)                                | 0                   | (10)                    |
| 1-6 months                                              | JPY             | 510                                    | GBP           | (3)                                  | 0                   | 0                       |
| 1-6 months                                              | SEK             | 1,492                                  | GBP           | (115)                                | 1                   | 0                       |
| 1-6 months                                              | SGD             | 106                                    | GBP           | (63)                                 | 0                   | (2)                     |
| 1-6 months                                              | USD             | 1,196                                  | GBP           | (927)                                | 0                   | 0                       |
| <b>Open Forward Currency Contracts at 31 March 2025</b> |                 |                                        |               |                                      | <b>23,046</b>       | <b>(1,624)</b>          |
| <b>Net Forward Currency Contracts at 31 March 2025</b>  |                 |                                        |               |                                      |                     | <b>21,422</b>           |
| <b>Prior year comparative:</b>                          |                 |                                        |               |                                      |                     |                         |
| <b>Open Forward Currency Contracts at 31 March 2024</b> |                 |                                        |               |                                      | <b>2,226</b>        | <b>(3,477)</b>          |
| <b>Net Forward Currency Contracts at 31 March 2024</b>  |                 |                                        |               |                                      |                     | <b>(1,251)</b>          |

## **Note 21 Fair Value – Basis of Valuation**

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

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

Unquoted private debt and infrastructure are valued at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31 March 2025, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

**Level 2** – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

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

The valuation basis for each category of investment asset is set out below:

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

### Sensitivity of assets valued at Level 3

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

| Asset               | Potential Variation in Fair Value (+/-) | Value at 31 March 2024 £000 | Potential Value on Increase £000 | Potential Value on Decrease £000 |
|---------------------|-----------------------------------------|-----------------------------|----------------------------------|----------------------------------|
| Infrastructure - UK | 14.4%                                   | 73,624                      | 84,226                           | 63,022                           |
| Infrastructure - US | 14.4%                                   | 172,445                     | 197,277                          | 147,613                          |
| Private Debt - UK   | 10.6%                                   | 88,620                      | 98,014                           | 79,226                           |
| Private Debt - US   | 12.3%                                   | 101,740                     | 114,254                          | 89,226                           |
|                     |                                         | <b>436,429</b>              | <b>493,771</b>                   | <b>379,087</b>                   |

| Asset               | Potential<br>Variation in<br>Fair Value<br>(+/-) | Value at 31<br>March 2025<br>£000 | Potential<br>Value on<br>Increase<br>£000 | Potential<br>Value on<br>Decrease<br>£000 |
|---------------------|--------------------------------------------------|-----------------------------------|-------------------------------------------|-------------------------------------------|
| Infrastructure - UK | 11.0%                                            | 101,879                           | 113,086                                   | 90,672                                    |
| Infrastructure - US | 11.0%                                            | 175,513                           | 194,819                                   | 156,207                                   |
| Private Debt - UK   | 10.5%                                            | 71,229                            | 78,708                                    | 63,750                                    |
| Private Debt - US   | 12.1%                                            | 83,431                            | 93,526                                    | 73,336                                    |
|                     |                                                  | <b>432,052</b>                    | <b>480,139</b>                            | <b>383,965</b>                            |

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

## **Note 22 Fair Value Hierarchy**

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

|                                    | 31 March 2024                        |                                          |                                                       |                  |
|------------------------------------|--------------------------------------|------------------------------------------|-------------------------------------------------------|------------------|
|                                    | Quoted<br>Market<br>Price<br>Level 1 | Using<br>Observable<br>Inputs<br>Level 2 | With Significant<br>Unobservable<br>Inputs<br>Level 3 | Total            |
|                                    | £000                                 | £000                                     | £000                                                  | £000             |
| <b>Financial Assets</b>            |                                      |                                          |                                                       |                  |
| Fair value through profit and loss |                                      |                                          |                                                       |                  |
| - Bonds                            | 200,299                              |                                          |                                                       | 200,299          |
| - Pooled Equity                    |                                      | 1,797,384                                |                                                       | 1,797,384        |
| - Pooled Fixed Income Bonds        |                                      | 75,550                                   |                                                       | 75,550           |
| - Pooled Fixed Income MAC          |                                      | 312,859                                  |                                                       | 312,859          |
| - Pooled Property                  |                                      | 150,389                                  |                                                       | 150,389          |
| - Infrastructure                   |                                      |                                          | 246,069                                               | 246,069          |
| - Private Debt                     |                                      |                                          | 190,360                                               | 190,360          |
| - Derivative Assets                |                                      | 2,704                                    |                                                       | 2,704            |
| - Cash deposits                    | 102,951                              |                                          |                                                       | 102,951          |
| - Other investment assets          | 13,188                               |                                          |                                                       | 13,188           |
| - Investment income due            |                                      | 5,075                                    |                                                       | 5,075            |
| - Amounts Receivable for Sales     |                                      | 499                                      |                                                       | 499              |
|                                    | <b>316,438</b>                       | <b>2,344,460</b>                         | <b>436,429</b>                                        | <b>3,097,327</b> |
| <b>Financial Liabilities</b>       |                                      |                                          |                                                       |                  |
| Payable for investment purchases   |                                      | (2,508)                                  |                                                       | (2,508)          |
| Other investment liabilities       | (13,188)                             |                                          |                                                       | (13,188)         |
| Derivative liabilities             |                                      | (3,756)                                  |                                                       | (3,756)          |
|                                    | <b>(13,188)</b>                      | <b>(6,264)</b>                           | <b>0</b>                                              | <b>(19,452)</b>  |
| <b>Total</b>                       | <b>303,250</b>                       | <b>2,338,196</b>                         | <b>436,429</b>                                        | <b>3,077,875</b> |

|                                    | 31 March 2025                        |                                          |                                                       |                  |
|------------------------------------|--------------------------------------|------------------------------------------|-------------------------------------------------------|------------------|
|                                    | Quoted<br>Market<br>Price<br>Level 1 | Using<br>Observable<br>Inputs<br>Level 2 | With Significant<br>Unobservable<br>Inputs<br>Level 3 | Total            |
|                                    | £000                                 | £000                                     | £000                                                  | £000             |
| <b>Financial Assets</b>            |                                      |                                          |                                                       |                  |
| Fair value through profit and loss |                                      |                                          |                                                       |                  |
| - Bonds                            | 0                                    | 0                                        | 0                                                     | 0                |
| - Pooled Equity                    | 0                                    | 1,809,059                                | 0                                                     | 1,809,059        |
| - Pooled Fixed Income Bonds        | 0                                    | 315,994                                  | 0                                                     | 315,994          |
| - Pooled Fixed Income MAC          | 0                                    | 325,657                                  | 0                                                     | 325,657          |
| - Pooled Property                  | 0                                    | 151,566                                  | 0                                                     | 151,566          |
| - Pooled Infrastructure            | 0                                    | 0                                        | 277,392                                               | 277,392          |
| - Pooled Private Debt              | 0                                    | 0                                        | 154,660                                               | 154,660          |
| - Derivative Assets                | 0                                    | 23,046                                   | 0                                                     | 23,046           |
| - Cash deposits                    | 98,673                               | 0                                        | 0                                                     | 98,673           |
| - Other investment assets          | 0                                    | 0                                        | 0                                                     | 0                |
| - Investment income due            | 409                                  | 0                                        | 0                                                     | 409              |
| - Amounts Receivable for Sales     | 0                                    | 0                                        | 0                                                     | 0                |
|                                    | <b>99,082</b>                        | <b>2,625,322</b>                         | <b>432,052</b>                                        | <b>3,156,456</b> |
| <b>Financial Liabilities</b>       |                                      |                                          |                                                       |                  |
| Fair value through profit and loss | 0                                    | 0                                        | 0                                                     | 0                |
| Payable for investment purchases   | 0                                    | 0                                        | 0                                                     | 0                |
| Other investment liabilities       | 0                                    | 0                                        | 0                                                     | 0                |
| Derivative liabilities             | 0                                    | (1,624)                                  | 0                                                     | (1,624)          |
|                                    | <b>0</b>                             | <b>(1,624)</b>                           | <b>0</b>                                              | <b>(1,624)</b>   |
| <b>Total</b>                       | <b>99,082</b>                        | <b>2,623,698</b>                         | <b>432,052</b>                                        | <b>3,154,832</b> |

### Transfers between Levels 1 and 2

No assets have transferred between levels during the reporting period. The movement of the Allianz investment to the LCIV bond fund was recorded as a sale of directly held assets and purchase of LCIV units.

### Note 23 Reconciliation of Fair Value Measurements within Level 3

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

|                                 | Infrastructure<br>£000 | Private Debt<br>£000 | Total<br>£000  |
|---------------------------------|------------------------|----------------------|----------------|
| <b>Value 31 March 2023</b>      | <b>207,047</b>         | <b>195,366</b>       | <b>402,413</b> |
| Transfers In                    | 0                      | 0                    | 0              |
| Transfers Out                   | 0                      | 0                    | 0              |
| Purchases & Derivative Payments | 49,792                 | 14,414               | 64,206         |
| Sales & Derivative Receipts     | (5,469)                | (16,035)             | (21,504)       |
| Unrealised Gains / (Losses)     | (5,619)                | (3,894)              | (9,513)        |
| Realised Gains / (Losses)       | 318                    | 509                  | 827            |
| <b>Value 31 March 2024</b>      | <b>246,069</b>         | <b>190,360</b>       | <b>436,429</b> |



| 2023/24<br>£000 |                                                           | 2024/25<br>£000 |
|-----------------|-----------------------------------------------------------|-----------------|
|                 | <b>Financial Assets</b>                                   |                 |
| 308,889         | Fair value through profit and loss                        | 24,076          |
| 0               | Amortised cost - Realised gain on derecognition of assets | 51              |
| 0               | Amortised cost - Unrealised gain                          | 0               |
| <b>308,889</b>  |                                                           | <b>24,127</b>   |
|                 | <b>Financial Liabilities</b>                              |                 |
| 28,266          | Fair value through profit and loss                        | 27,745          |
| (423)           | Amortised cost - Realised gain on derecognition of assets | (779)           |
| 0               | Amortised cost - Unrealised gain                          | 0               |
| <b>27,843</b>   |                                                           | <b>26,966</b>   |
| <b>336,732</b>  | <b>Net Gain/(Loss) on Financial Instruments</b>           | <b>51,093</b>   |

## **Note 26 Nature and Extent of Risks Arising from Financial Instruments**

### **Risk and risk management**

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Risk measures for the whole Fund are covered in more detail in Note 3 Going Concern, while this note gives more detail on the risks associated with investing in financial instruments.

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

The Fund advisors consider asset volatility and a range of potential market movements when setting the Investment Strategy and asset allocations. This includes assessing the overall volatility for any proposed asset allocations taking into account any correlation (positive and negative) between asset classes when ensuring the proposals are within the Fund's appetite for risk and the trade off between risk and the return required to achieve full funding as assessed in the triennial valuation. This is reviewed at least every 3 years (after valuation) and more frequently if there is an impairment trigger event or Members have concerns.

The Fund does not hold any fully passive investments but does invest in passive like global equity and bond funds (£613.3m or 19.4% of investments at 31 March) and has accepted the market risk required for passive like investment.

All other assets are actively managed. Active managers will be evaluating and managing risk as part of their investment decision making processes. This will include the risks related to any recent market volatility and interest rate and inflation movements. Fund managers will have access to wider information sources and professional expertise than officers and while officers will ensure they understand and challenge the processes used by fund managers in their investment decisions, they will not be over-ridden. Where investments are made via an LGPS pool (LCIV) the pool officers will be performing scrutiny and in depth reviews of fund managers processes to give further assurance.

All investment assets are carried at fair value and fund managers undertake this valuation at least quarterly so year end values will include any known impairment or gain and the impact of market sentiment on pricing.

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

#### **a) Market risk**

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

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

#### **Other price risk**

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

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

#### **Other price risk – sensitivity analysis**

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2025/26, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

| <b>Asset type</b>           | <b>Value at 31<br/>March 2024</b> | <b>Potential<br/>Market<br/>Movement</b> | <b>Potential<br/>Value on<br/>Increase</b> | <b>Potential<br/>Value on<br/>Decrease</b> |
|-----------------------------|-----------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
|                             | <b>£000</b>                       | <b>(+/-)</b>                             | <b>£000</b>                                | <b>£000</b>                                |
| UK Fixed Interest Gilts     | 5,666                             | 8.8%                                     | 6,165                                      | 5,167                                      |
| UK Corporate Bonds          | 217,115                           | 8.2%                                     | 234,917                                    | 199,312                                    |
| Overseas Bonds              | 51,400                            | 8.2%                                     | 55,616                                     | 47,185                                     |
| Multi-Asset Credit          | 312,859                           | 10.9%                                    | 346,961                                    | 278,757                                    |
| Global Equity               | 1,797,384                         | 18.4%                                    | 2,128,103                                  | 1,466,665                                  |
| Pooled Property Investments | 150,389                           | 14.8%                                    | 172,647                                    | 128,132                                    |
| Private Debt (UK)           | 88,620                            | 10.6%                                    | 98,014                                     | 79,226                                     |
| Private Debt (US)           | 101,740                           | 12.3%                                    | 114,254                                    | 89,226                                     |
| Infrastructure (UK)         | 73,624                            | 14.4%                                    | 84,226                                     | 63,022                                     |
| Infrastructure (US)         | 172,445                           | 14.4%                                    | 197,277                                    | 147,613                                    |
| <b>Total value at risk</b>  | <b>2,971,242</b>                  |                                          | <b>3,438,180</b>                           | <b>2,504,305</b>                           |

In 2023/24 the figures for bonds included some derivatives where the derivative moves with the price of the underlying asset as this gives a more complete assessment of the risk. The 2024/25 figures for bonds do not include any derivatives as this bond investment ended during 2024/25.

| Asset type                  | Value at 31<br>March 2025 | Potential<br>Market<br>Movement | Potential<br>Value on<br>Increase | Potential<br>Value on<br>Decrease |
|-----------------------------|---------------------------|---------------------------------|-----------------------------------|-----------------------------------|
|                             | £000                      | (+/-)                           | £000                              | £000                              |
| UK Fixed Interest Gilts     |                           |                                 | 0                                 | 0                                 |
| UK Corporate Bonds          | 315,994                   | 7.1%                            | 338,430                           | 293,558                           |
| Overseas Bonds              | 0                         | 0.0%                            | 0                                 | 0                                 |
| Multi-Asset Credit          | 325,657                   | 9.6%                            | 356,920                           | 294,394                           |
| Global Equity               | 1,809,059                 | 19.2%                           | 2,156,398                         | 1,461,720                         |
| Pooled Property Investments | 151,566                   | 13.0%                           | 171,270                           | 131,862                           |
| Private Debt (UK)           | 71,229                    | 10.5%                           | 78,708                            | 63,750                            |
| Private Debt (US)           | 83,431                    | 12.1%                           | 93,526                            | 73,336                            |
| Infrastructure (UK)         | 101,879                   | 11.0%                           | 113,086                           | 90,672                            |
| Infrastructure (US)         | 175,513                   | 11.0%                           | 194,819                           | 156,207                           |
| <b>Total Value at Risk</b>  | <b>3,034,328</b>          |                                 | <b>3,503,157</b>                  | <b>2,565,499</b>                  |

### Interest rate risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2025 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

### Interest rate – risk sensitivity analysis

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

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

| Asset Type          | Asset Value 31st<br>March 2024 | Duration | Impact of 1%     |                  |
|---------------------|--------------------------------|----------|------------------|------------------|
|                     | £000                           |          | Increase<br>£000 | Decrease<br>£000 |
| Cash                | 104,211                        | n/a      | n/a              | n/a              |
| UK Government Bonds | 5,666                          | 8.6      | (489)            | 490              |
| UK Corporate Bonds  | 217,115                        | 5.5      | (11,807)         | 11,807           |
| Overseas Bonds      | 51,400                         | 6.7      | (3,438)          | 3,439            |
| Multi-Asset Credit  | 312,859                        | 0.8      | (2,409)          | 2,409            |
| <b>Total</b>        | <b>691,251</b>                 |          | <b>(18,143)</b>  | <b>18,145</b>    |

| Asset Type            | Asset Value 31st<br>March 2025<br>£000 | Duration | Impact of 1%     |                  |
|-----------------------|----------------------------------------|----------|------------------|------------------|
|                       |                                        |          | Increase<br>£000 | Decrease<br>£000 |
| Cash                  | 99,856                                 | n/a      | n/a              | n/a              |
| UK Government Bonds * | 0                                      | n/a      | 0                | 0                |
| UK Corporate Bonds    | 315,994                                | 6.3      | (19,876)         | 19,876           |
| Overseas Bonds *      | 0                                      | n/a      | 0                | 0                |
| Multi-Asset Credit    | 325,657                                | 2.4      | (7,898)          | 7,898            |
| <b>Total</b>          | <b>741,507</b>                         |          | <b>(27,774)</b>  | <b>27,774</b>    |

\* UK Government Bonds and Overseas Bonds were held directly within the Allianz investment, which ended October 2024.

This disclosure has been expanded to include more detailed analysis as the significant recent volatility in interest rates due to the geopolitical environment suggests that more information should be shown on this risk. For bonds and similar investments, the duration needs to be applied to calculate the impact of rate changes on fixed rate investments based on time to maturity and the fixed rate.

| Asset Type                | Interest Receivable<br>2023/24<br>£000 | Impact of 1%     |                  |
|---------------------------|----------------------------------------|------------------|------------------|
|                           |                                        | Increase<br>£000 | Decrease<br>£000 |
| Cash and Cash Equivalents | (4,159)                                | (42)             | 42               |
| Private Debt              | (21,731)                               | (217)            | 217              |
| <b>Total</b>              | <b>(25,890)</b>                        | <b>(259)</b>     | <b>259</b>       |

| Asset Type                | Interest Receivable<br>2024/25<br>£000 | Impact of 1%     |                  |
|---------------------------|----------------------------------------|------------------|------------------|
|                           |                                        | Increase<br>£000 | Decrease<br>£000 |
| Cash and Cash Equivalents | (5,530)                                | (55)             | 55               |
| Private Debt              | (18,993)                               | (190)            | 190              |
| <b>Total</b>              | <b>(24,523)</b>                        | <b>(245)</b>     | <b>245</b>       |

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

Private debt is included as while carrying value will not change directly with interest rate changes, the debt is variable rate and so income will change.

### Currency risk

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

| Assets Exposed to Currency Risk | Asset Value<br>at 31st March<br>2024<br>£000 | Potential<br>Market<br>Movement<br>(+/-) | Value on<br>Increase<br>£000 | Value on<br>Decrease<br>£000 |
|---------------------------------|----------------------------------------------|------------------------------------------|------------------------------|------------------------------|
| Overseas Bonds                  | 51,400                                       | 10.0%                                    | 56,540                       | 46,260                       |
| Global Equities                 | 1,797,384                                    | 10.0%                                    | 1,977,122                    | 1,617,646                    |
| US Infrastructure               | 172,445                                      | 10.0%                                    | 189,690                      | 155,201                      |
| US Private Debt                 | 101,740                                      | 10.0%                                    | 111,914                      | 91,566                       |
| <b>Total</b>                    | <b>2,122,969</b>                             |                                          | <b>2,335,266</b>             | <b>1,910,673</b>             |

|                                        | Asset Value at<br>31st March<br>2025 | Potential<br>Market<br>Movement | Value on<br>Increase | Value on<br>Decrease |
|----------------------------------------|--------------------------------------|---------------------------------|----------------------|----------------------|
| <b>Assets Exposed to Currency Risk</b> | <b>£000</b>                          | <b>(+/-)</b>                    | <b>£000</b>          | <b>£000</b>          |
| Overseas Bonds                         | 0                                    | 0.0%                            | 0                    | 0                    |
| Global Equities                        | 1,809,059                            | 10.0%                           | 1,989,965            | 1,628,153            |
| US Infrastructure                      | 175,513                              | 10.0%                           | 193,064              | 157,962              |
| US Private Debt                        | 83,431                               | 10.0%                           | 91,774               | 75,088               |
| <b>Total</b>                           | <b>2,068,003</b>                     |                                 | <b>2,274,803</b>     | <b>1,861,203</b>     |

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

#### b) Credit risk

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

The Fund has also set a limit of 15% of the total investments to be placed in any one active investment (with LCIV sub funds defined as an investment for this risk control purpose). The Fund has a limit of 25% of total investments with any single manager (with LCIV sub funds defined as a manager for this purpose).

The Fund explicitly accepts credit risk in some of its investment classes, most notably the use of high yield bonds in Multi Asset Credit funds and the Private Debt class. This risk is mitigated by use of a pooled investment vehicle, due diligence by the manager and exposure limits within each pooled vehicle.

The Fund has a 1% allocation to cash in its Investment Strategy (with a tolerance range of 0.5-3% to allow for market movements and cash flow peaks and troughs). The majority of this is held in the custodian's AAA rated money market fund, which has its own policies to ensure diversification and achieve LVNAV and AAA status. A working balance is held in the Fund's bank (NatWest) which benefits from significant government ownership.

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

| Balances at<br>31st March<br>2024 |                              | Credit<br>Rating | Balances at<br>31st March<br>2025 |
|-----------------------------------|------------------------------|------------------|-----------------------------------|
| £000                              |                              |                  | £000                              |
|                                   | <b>Moneymarket Funds</b>     |                  |                                   |
| 101,629                           | NTGI Global Cash Fund        | AAA              | 98,673                            |
|                                   | <b>Bank Deposit Accounts</b> |                  |                                   |
| 1,322                             | Variation margin             |                  | 0                                 |
|                                   | <b>Bank Current Accounts</b> |                  |                                   |
| 1,260                             | Held with the Fund's Bank    | F1               | 1,183                             |
| <b>104,211</b>                    | <b>Total Cash Held</b>       |                  | <b>99,856</b>                     |

The variation margin account was used by the Fund's only segregated asset manager, Allianz, and is now nil as that investment ended in October 2024.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a bond or a guarantee before admitting new employers so that all contribution obligations are covered in the event of that employer facing financial difficulties. All monthly contributions due at 31 March 2024 and 31 March 2025 were received in accordance with a monthly payment schedule. This schedule is monitored and non-compliance with agreed schedules is raised with the employer and escalated as appropriate.

Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations and one has given a charge on a property as security for a deferred cessation payment. These guarantees are drawn in favour of the Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2023/24 or 2024/25.

### **c) Liquidity risk**

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

The Fund ensures liquidity by:

- holding day to day cash in an interest-bearing account with its bank and a Money Market Fund with its custodian, both with daily liquidity
- investing in a range of assets and pooled vehicles which could be liquidated with sufficient notice to fund large planned cash outflows
- having an overdraft facility with its bank

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

The Fund defines liquid assets as assets that can be converted to cash within three months. As at 31 March 2025 the value of illiquid assets represented £583.6m, 18.5% of the total fund value (at 31 March 2024 this was £589.5m or 19.1% of the total fund).

### **Refinancing risk**

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

## **Note 27 Funding Arrangements**

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The valuation using 31 March 2025 data will be undertaken during 2025/26 with the revised Rates and Adjustments Certificate issued by the actuary in time for the new contribution rates to be paid from 1 April 2026.

The key elements of the funding policy are:

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

Using the agreed assumptions, the Fund had assets sufficient to cover 116% of the accrued liabilities as at 31 March 2022. This shows an improvement since the 2019 valuation where the funding level was 105%.

The Fund has achieved solvency based on current conditions at that date with some margin for adverse change. This overall position does not apply equally to all employers within the Fund with those who joined the Wandsworth Fund when the Richmond Fund was subsumed (1<sup>st</sup> October 2016) being generally less well funded and therefore requiring deficit payments.

In addition to the primary contribution rate, most employers will also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the website of the Fund's Administering Authority.

The average employer's primary contribution rate across the Fund was :

| Year    | Rate  |
|---------|-------|
| 2020/21 | 19.6% |
| 2021/22 | 19.6% |
| 2022/23 | 19.6% |
| 2023/24 | 20.0% |
| 2024/25 | 20.0% |

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

| 31st March 2019 |                          | 31st March 2022 |  |
|-----------------|--------------------------|-----------------|--|
| % p.a.          | Assumptions as at        | % p.a.          |  |
| 3.6%            | Salary Increases         | 3.9%            |  |
| 2.6%            | Pensions Increases (CPI) | 2.9%            |  |
| 4.5%            | Discount Rate / Return   | 4.4%            |  |

### Demographic assumptions

The assumed life expectancy from age 65 is as follows:

| 31st March 2019 | Life Expectancy from age 65 | 31st March 2022 |
|-----------------|-----------------------------|-----------------|
|                 | Retiring Today:             |                 |
| 21.7 years      | - Male                      | 21.0 years      |
| 24.3 years      | - Female                    | 23.5 years      |
|                 | Retiring in 20 year :       |                 |
| 23.1 years      | - Male                      | 22.3 years      |
| 25.8 years      | - Female                    | 24.9 years      |

Mortality assumptions use 2021 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.25% p.a. with 7.0 smoothing parameter and no initial addition to improvements.

### Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum.

### 50:50 option

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

## Note 28 Actuarial Present Value of Promised Retirement Benefits

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

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

| 31 March 2024<br>£000 |                                               | 31 March 2025<br>£000 |
|-----------------------|-----------------------------------------------|-----------------------|
| (2,261,201)           | Present value of promised retirement benefits | (2,024,439)           |
| 3,079,135             | Fair value of scheme assets (bid value)       | 3,156,015             |
| <b>817,934</b>        | <b>Net Asset / (Liability)</b>                | <b>1,131,576</b>      |

| 31 March 2024<br>£000 |                                                       | 31 March 2025<br>£000 |
|-----------------------|-------------------------------------------------------|-----------------------|
| <b>466,435</b>        | <b>Opening Asset / (Liability)</b>                    | <b>817,934</b>        |
| (55,607)              | Current service cost                                  | (54,713)              |
| (13,879)              | Past service costs including curtailments             | (807)                 |
| 131,808               | Interest on assets                                    | 150,323               |
| 260,414               | Return on assets less interest                        | (48,639)              |
| (106,513)             | Interest cost                                         | (108,737)             |
| 53,814                | Change in financial assumptions                       | 304,052               |
| 30,721                | Change in demographic assumptions                     | 5,664                 |
| (6,123)               | Experience gain/(loss) on defined benefit obligations | 5,438                 |
| (1,698)               | Administration expenses                               | (1,892)               |
| 58,562                | Contributions by employer                             | 62,953                |
| <b>817,934</b>        | <b>Closing Asset / (Liability)</b>                    | <b>1,131,576</b>      |

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 27) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

| 31 March 2024<br>% p.a. |                        | 31 March 2025<br>% p.a. |
|-------------------------|------------------------|-------------------------|
| 4.90                    | Discount rate          | 5.80                    |
| 2.90                    | Pension increase (CPI) | 2.90                    |
| 3.25                    | Inflation (RPI)        | 3.20                    |
| 3.90                    | Salary increase        | 3.90                    |

| 31 March 2024 | Life expectancy from age 65 (years) | 31 March 2025 |
|---------------|-------------------------------------|---------------|
|               | <b>Retiring Today:</b>              |               |
| 20.8          | - Male                              | 20.7          |
| 23.3          | - Female                            | 23.3          |
|               | <b>Retiring in 20 years :</b>       |               |
| 22.0          | - Male                              | 22.0          |
| 24.7          | - Female                            | 24.7          |

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 £28.1m
- a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £1.6m
- a 0.1% increase in assumed pension increases and deferred revaluation would result in an increase in the pension liability of £27.9m
- a one-year increase in assumed life expectancy would increase the liability by approximately £68.5m.

### Virgin Media Ruling

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete.

The most recent [LGPC Bulletin 257 - Nov 2024](#) states that HM Treasury is currently assessing the implications for all public service pension schemes, however, HM Treasury do not believe the Virgin Media case expressly addresses whether confirmation is required for public service pension schemes. We understand their view to be that the relevant amendments in the LGPS would have been made by legislation – and therefore would remain valid until revoked or repealed by subsequent legislation, or declared void by a court.

The Fund's actuary's view when producing the IAS26 report was that at this point in time there remains insufficient information to assess the potential impact, so we are unable to quantify it. On 5 June 2025 the [Department for Work and Pensions issued a response to this case](#), committing to introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards, leaving scheme obligations unaffected. As a result, Wandsworth Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

## **Note 29 Long Term Assets**

### **LCIV Long Term Capital**

| <b>31 March 2024</b> |                                                | <b>31 March 2025</b> |
|----------------------|------------------------------------------------|----------------------|
| <b>£000</b>          | <b>LCIV Long Term Capital</b>                  | <b>£000</b>          |
| 300                  | Founders' Shares (original regulatory capital) | 300                  |
| 0                    | B Shares (increased regulatory capital)        | 0                    |
| <b>300</b>           |                                                | <b>300</b>           |

All London Boroughs were required to deposit regulatory capital with LCIV as a regulatory requirement to enable the Fund to participate in LCIV's pooling arrangements. The shares are not tradable but can be redeemed for face value if the Fund were to withdraw from LCIV and so are carried at cost.

This value includes both Wandsworth and Richmond shares due to the Funds having merged in 2016. LCIV confirmed by letter in October 2021 that although the Fund holds 2 boroughs' allocations of initial regulatory capital contribution of £150k, as a "combined shareholder" it has a single vote and would only make a single borough's contribution to increased regulatory capital should this be needed.

### **Long Term Debtors**

| <b>31 March 2024</b> |                                     | <b>31 March 2025</b> |
|----------------------|-------------------------------------|----------------------|
| <b>£000</b>          | <b>Long Term Debtors</b>            | <b>£000</b>          |
| 2,739                | Opening Balance                     | 2,870                |
| 277                  | Lifetime tax allowance paid in year | 140                  |
| (146)                | Recovery from pension in year       | (152)                |
| <b>2,870</b>         |                                     | <b>2,858</b>         |

## **Note 30 Current Assets & Liabilities**

| <b>Balance at 31 March 2024</b> |                                              | <b>Balance at 31 March 2025</b> |
|---------------------------------|----------------------------------------------|---------------------------------|
| <b>£000</b>                     |                                              | <b>£000</b>                     |
| <b>1,260</b>                    | <b>Current Assets</b>                        | <b>1,183</b>                    |
|                                 | Cash at Bank                                 |                                 |
| 1,215                           | Contributions Due                            | 1,159                           |
| 213                             | Contributions Due from Richmond & Wandsworth | 455                             |
| 129                             | VAT recovery due                             | 54                              |
| 197                             | Overpaid Pensions                            | 221                             |
| 61                              | Sundry Debtors                               | 101                             |
| <b>1,815</b>                    |                                              | <b>1,990</b>                    |
|                                 | <b>Current Liabilities</b>                   |                                 |
| (3)                             | Unpaid Benefits                              | (10)                            |
| (190)                           | Fund Managers' fees                          | (147)                           |
| (1,095)                         | Amount Due to Richmond & Wandsworth          | (1,205)                         |
| (1,136)                         | Amount Due to HMRC                           | (1,393)                         |
| (84)                            | Pensions Due to Estate of deceased pensioner | (85)                            |
| (145)                           | Sundry Creditors                             | (267)                           |
| <b>(2,653)</b>                  |                                              | <b>(3,107)</b>                  |

### **Note 31 Additional Voluntary Contributions**

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions. AVCs are entirely separate from the Fund Accounts but are reported here in a note in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

| Contributions<br>Paid 2023/24 | Market Value 31<br>March 2024 |                  | Contributions<br>Paid 2024/25 | Market Value 31<br>March 2025 |
|-------------------------------|-------------------------------|------------------|-------------------------------|-------------------------------|
| £000                          | £000                          | Provider         | £000                          | £000                          |
| 50                            | 610                           | Clerical Medical | 98                            | 486                           |
| 0                             | 506                           | Utmost           | 0                             | 471                           |
| 854                           | 3,485                         | Prudential       | 1,630                         | 4,957                         |
| <b>904</b>                    | <b>4,601</b>                  | <b>Total</b>     | <b>1,728</b>                  | <b>5,914</b>                  |

Prudential market value includes potential final bonus, although this is not guaranteed.

### **Note 32 Agency Services**

The Wandsworth Pension Fund pays discretionary awards to former employees of London Borough of Richmond and some associated employers of the ex-LB Richmond Fund to which this Fund is the successor body. The amounts paid are fully reclaimed from the employer bodies. These payments all relate to historic decisions. New discretionary awards are funded by capitalised strain costs paid by the employer at the point of award and the number and value of these payments should therefore decline over time.

The amount paid on behalf of LB Richmond for 2024/25 was £0.867m (£0.848m in 2023/24), with payments on behalf of other employers totalling £115k in 2024/25 (£84k in 2023/24).

### **Note 33 Related Party Transactions**

#### **Governance (Control of the Fund)**

In 2016/17 the London Borough of Richmond upon Thames (RuT) Pension Fund was merged into the Wandsworth Borough Council (WBC) Pension Fund to facilitate a shared staffing arrangement now called the Better Service Partnership (BSP) being set up by the two councils. Under the BSP all former LBR and WBC staff are jointly employed by both councils.

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

In addition, of the 6 Local Pension Board members during the year, Richard Perry and John Deakins were active members and Chris Jones, Hilary Galloway and Peter Quirk were pensioners in the Fund during 2024/25.

#### **Wandsworth Council and Richmond Council under the Better Service Partnership (BSP)**

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 are all jointly employed as part of the BSP:

- Mrs F Merry (Executive Director of Finance)
- Mr P Guiliotti (Director of Financial Services)

- Mr M Doyle (Assistant Director of Pensions Shared Service)
- Ms C Baxter (Head of Pension Fund & Insurance Accounting)

They are all active members of the LGPS as BSP employees. The BSP is also the single largest employer of active members of the Pension Fund. All contributions owing to and due from the Fund were paid in year.

There are also transactions between the Fund and BSP in respect of the services provided in administering and governance of the Fund, and with the Councils as employers in the Fund.

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

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

| <b>2023/24</b>                           | <b>Salary (including fees and allowances)</b> | <b>Employers pension contribution</b> | <b>Remuneration including pension contributions</b> |
|------------------------------------------|-----------------------------------------------|---------------------------------------|-----------------------------------------------------|
| Executive Director of Finance - F. Merry | 125,657                                       | 23,990                                | 149,647                                             |

| <b>2024/25</b>                           | <b>Salary (including fees and allowances)</b> | <b>Employers pension contribution</b> | <b>Remuneration including pension contributions</b> |
|------------------------------------------|-----------------------------------------------|---------------------------------------|-----------------------------------------------------|
| Executive Director of Finance - F. Merry | 129,750                                       | 24,782                                | 154,532                                             |

The Fund is controlled by Joint Pensions committee which has membership from both councils. The employer's contributions made by both councils and the BSP in year are as follows:

| <b>2023/24</b>                  | <b>WBC</b>   | <b>RuT</b>   | <b>SSA</b>    |
|---------------------------------|--------------|--------------|---------------|
| <b>Employer's contributions</b> | <b>£000</b>  | <b>£000</b>  | <b>£000</b>   |
| - Normal                        | 8,266        | 5,398        | 29,861        |
| - Deficit                       | (1,783)      | 715          | (762)         |
| - Augmentation (Strain costs)   | 200          | 1            | 619           |
| <b>Total</b>                    | <b>6,683</b> | <b>6,114</b> | <b>29,718</b> |

| <b>2024/25</b>                  | <b>WBC</b>   | <b>RuT</b>   | <b>BSP</b>    |
|---------------------------------|--------------|--------------|---------------|
| <b>Employer's contributions</b> | <b>£000</b>  | <b>£000</b>  | <b>£000</b>   |
| - Normal                        | 8,223        | 5,565        | 32,361        |
| - Deficit                       | (1,737)      | 737          | (826)         |
| - Augmentation (Strain costs)   | 255          | 70           | 950           |
| <b>Total</b>                    | <b>6,741</b> | <b>6,372</b> | <b>32,485</b> |

Due to the strong relationship between the Council and the Pension Fund, it is deemed necessary to declare Councillor Govindia's interest as non-executive director of the London CIV. The Fund's investments via the LCIV pool are disclosed in Note 17. Under LGPS regulations, the Fund is required to invest via an available regional pool where such exists and offers investments in line with the Fund's investment strategy. As a result of the recent Fit for the Future consultation, further regulations are anticipated which would require LGPS funds to move all their investments to a regional pool.

### **Note 34      Key Management Personnel**

Elected Members do not receive additional allowance for their role in the Pension Fund, although the Chair of Joint Pensions Committee is entitled to a Special Responsibility Allowance of £2,991pa (£2,918.20 in 2023/24) to cover the additional duties of the role per the agreed [Members Allowances Scheme](#).

Local Pensions Board members are entitled to claim £200 attendance allowance per meeting, so may receive up to £600 per year.

Officers do not receive additional remuneration for their role in the Pension Fund. The charge made by Wandsworth Council for administering the Fund includes the cost of officers, and is disclosed in Note 12.

### **Note 35      Contingent Liabilities and Contractual Commitments**

#### **Contractual Commitments**

Outstanding capital commitments (investments) at 31 March 2025 were £115m (\$149m), compared to £156m (\$197m) at 31 March 2024. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure and private debt parts of the portfolio. The amounts 'called' by these funds are irregular in size and timing starting from the date of each original commitment until the funds are fully subscribed.

#### **Contingent Liabilities**

Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations. For one ceased employer, cessation costs have been allowed to be spread into the future, but a charge is held on property they own to mitigate the risk, which is currently minimal due to improved funding levels at the 2022 valuation. These guarantees are drawn in favour of the Pension Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2024/25 or 2023/24.

#### **Contingent Assets**

The Fund is party to a class action complaint against BHP Billiton Ltd. (BHP) relating to financial losses suffered from holding BHP stock where BHP made intentionally false representations thereby failing in their duty to notify the market of significant information. The potential recovery is estimated at around \$263k to \$759k by Grant & Eisenhofer who are representing the applicants.

### **Note 36      Accounting Standards Issued but Not Adopted**

The CIPFA Bulletin 19 Closure of the 2024/25 Financial Statements introduces changes in Accounting Policies which need to be disclosed in the 2024/25 financial statements per the 2024/25 Code. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

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

- a) IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. While the Fund invests globally, this is via pooled investments and the Fund is only directly exposed to US dollar

exchange rate (see Note 20) which is freely exchangeable and therefore this will have no direct impact on the Fund.

- b) IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. The Fund does not write insurance contracts. The Fund's investments with Legal and General are via insurance contracts which are carried at fair value and therefore should not be impacted.
- c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. The Pension Fund only holds investment assets (including property) indirectly via pooled funds and cash and therefore the Fund should not be impacted.

## **5. Investments and Funding**

### **Investment Policy (Investment Strategy Statement or ISS)**

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) which was last approved by the Joint Pensions Committee in June 2023 and is available on Wandsworth Council's Pension Fund web page [here](#). This Statement was prepared with regard to all relevant government guidance. The ISS was last reviewed in June 2023, to ensure it was aligned to the outcome of the 2022 triennial valuation. The ISS is updated after the valuation results are known to ensure that it is targeting the same return used in the valuation and takes into account the updated Funding Strategy Statement (FSS) priorities including stability in employer primary contribution rates. This is achieved through considering risk, returns and volatility in setting the investment strategy. The FSS is also reviewed as part of every triennial valuation, in line with regulations.

The FSS confirms the key assumptions used in the valuation such as the discount rate and long term inflation along with other principles applied by the Fund in setting contribution rates and other dealings with employers. As achieving returns at or above the discount rate is key to achieving the targeted funding level, quarterly investment performance monitoring includes monitoring returns against this target and annual performance is included in Investment Performance section of this document. The Fund's dealings with employers are reported on in the Administration section of this document.

The ISS clarifies the primary objection of the Fund is to ensure the Fund is able to meet the benefit payments set out in the LGPS regulations without external support. To do this, the Fund reviews its funding level every 3 years (as required in regulations) and will then review its investment strategy in the light of this triennial valuation. The ISS balances the need for asset growth with the need for stability in contribution rates for employers and the volatility and risk to principle from investing in higher growth or returning asset classes.

The asset allocations were reviewed in June 2023 to ensure the current investment strategy met the needs of the latest valuation. No changes were made to asset class allocations and there were therefore no significant changes to implement. Monitoring of investments against the agreed allocations happens quarterly at every Joint Pensions Committee within the Investment Performance report. This report looks at individual manager performance relative to their targets as well as overall Fund performance and the Committee are asked to agree any deviation from these targets. The Committee will also ask investment managers to attend to discuss performance concerns.

The ISS sets the Fund's non-financial considerations when investing. Current regulations limit the consideration of non-financial matter to where the Fund has taken expert advice, that there is no material financial impact and where the Fund can demonstrate the members support this.

The commitment to achieving net zero emissions by 2050 was extended to include a clearer pathway to evaluate progress and assist monitoring in the June 2023 review.

The ISS sets risk management measures. In addition to the range of assets the Fund invests in, which itself mitigates risk, it has also set a limit on the value invested with any active manager (being a manager outside a regional pool or a sub-fund within a regional pool). The Fund has the majority of its investments in global equity (target of 55% of the Fund) as well as private assets outside the UK, and has chosen to mitigate the risk of adverse foreign exchange movements by hedging foreign currency exposure at 50% for equity and infrastructure investments and 100% for private debt.

Monitoring of risk is delegated to the Local Pensions Board and further information on this area is available in the Board reports (see Commentary on the Work of Local Pensions Board This Year above).

The ISS confirms the Fund's commitment to investing via regional pools in line with Government guidance and to benefit from reduced fees and monitoring costs. The Fund will invest via the London CIV pool (LCIV) where LCIV has an investment which meets the Fund's strategic requirements and where there is a financial benefit from investing via LCIV (e.g. a reasonable payback period for any costs of transferring an existing investment to the LCIV). The Fund transferred its bond investments to their new Buy and Maintain All Duration Bond fund in October 2024 demonstrating this commitment. If passed, the government's draft [Pension Schemes Bill](#) will remove the option to invest outside a pool on 31 March 2025.

The Fund subscribes to and is a member of the Local Authority Pensions Fund Forum (LAPFF). The Fund does not subscribe to and is not a member of any other bodies. However, under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Pension Fund is required to pool its funds and invest collectively. In order to comply with these regulations the Pension Fund is a shareholder in the [London CIV](#).

The Investment Policy and the approach to the management of risk for the Fund as a whole and in respect of the investment managers are outlined in the ISS.

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.

### **Investment Performance**

Fund performance is reported to the Committee on a quarterly basis comprising individual manager performance and whole fund performance as measured by the Fund's custodian, Northern Trust.

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.

| <b>Returns to 31 March 2025<br/>(Annualised net of fees)</b> | <b>1 Year<br/>%</b> | <b>3<br/>Years<br/>%</b> | <b>5<br/>Years<br/>%</b> | <b>10<br/>Years<br/>%</b> | <b>20<br/>Years<br/>%</b> | <b>30<br/>Years<br/>%</b> |
|--------------------------------------------------------------|---------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Local Authority Average                                      | 3.4                 | 3.6                      | 8.3                      | 6.7                       | 7.3                       | 7.5                       |
| Local Authority Upper Quartile                               | 4.1                 | 4.4                      | 9.0                      | 7.0                       | 7.5                       | 7.5                       |
| Local Authority Median                                       | 3.5                 | 3.6                      | 8.2                      | 6.5                       | 7.2                       | 7.4                       |
| LB Wandsworth *                                              | 3.1                 | 4.4                      | 8.9                      | 6.6                       | 7.8                       | 7.8                       |
| <b>Ranking</b>                                               | <b>70</b>           | <b>24</b>                | <b>27</b>                | <b>47</b>                 | <b>13</b>                 | <b>16</b>                 |

Source: PIRC

\* Incorporating LB Richmond's historical returns

Over 3, 20 and 30 years the record of the combined Fund is ranked at the top quartile of the funds measured by PIRC.

## Individual Managers' Performance

Performance figures relative to their specific benchmarks is given for all of the Fund's managers over the year 2024/25.

Year Ending 31 March 2025

| Manager                       | Mandate             | Return % | B'mark % | Relative % | Target pa % |
|-------------------------------|---------------------|----------|----------|------------|-------------|
| LCIV GAF (BG)                 | Global Equity       | -2.7     | +5.3     | -8.0       | +2.0        |
| LCIV GEF (LV)                 | Global Equity       | -1.5     | +5.2     | -6.7       | +2.0        |
| LCIV SE (RBC)                 | Global Equity       | +1.5     | +4.8     | -3.3       | +2.0        |
| Legal & General               | Global Equity       | +5.3     | +5.2     | +0.1       | -           |
| Legal & General               | Bonds               | +2.3     | +2.3     | +0.0       | -           |
| LCIV B&M All Duration         | Bonds               | n/a      | n/a      | n/a        | -           |
| LCIV ACF (CQS)                | Multi-Asset Credit  | +8.7     | +8.8     | -0.1       | -           |
| Oak Hill                      | Multi-Asset Credit  | +5.8     | +8.8     | -3.0       | -           |
| CCLA / LAMIT                  | Commercial Property | +7.3     | +6.4     | +0.9       | +1.0        |
| Columbia Threadneedle TPUT    | Commercial Property | n/a      | n/a      | n/a        | +1.0        |
| Legal & General               | Commercial Property | +7.3     | +6.4     | +0.9       | +1.0        |
| Schroders SCREF               | Commercial Property | +3.4     | +6.4     | -3.0       | +1.0        |
| JP Morgan                     | Infrastructure      | +4.1     | +6.0     | -1.9       | -           |
| Pantheon                      | Infrastructure      | +2.4     | +6.0     | -3.6       | -           |
| LCIV Renewable Infrastructure | Infrastructure      | -3.4     | +6.0     | -9.4       | -           |
| Sandbrook                     | Infrastructure      | n/a      | n/a      | n/a        | -           |
| Octopus                       | Infrastructure      | n/a      | n/a      | n/a        | -           |
| Brightwood                    | Private Debt        | +8.4     | +6.0     | +2.4       | -           |
| Churchill                     | Private Debt        | +7.5     | +6.0     | +1.5       | -           |
| Permira                       | Private Debt        | +8.0     | +6.0     | +2.0       | -           |

## Managers' Benchmarks & Performance Targets

| Manager*                               | Mandate            | Benchmark                                                      | Target              |
|----------------------------------------|--------------------|----------------------------------------------------------------|---------------------|
| LCIV GAG (BG)                          | Global Equity      | MSCI World All Countries Unhedged (Gross Dividend Re-invested) | Benchmark +2% pa    |
| LCIV GEF (LV)                          | Global Equity      | MSCI World Unhedged (Total Return)                             | Benchmark +2% pa    |
| LCIV SE (RBC)                          | Global Equity      | MSCI World Index Net                                           | Benchmark           |
| Legal & General                        | Global Equity      | FW Global Equity Index GBPOFC                                  | Benchmark           |
| Janus Henderson                        | UK Corporate Bonds | iBoxx Sterling Non Gilt Index                                  | Benchmark +0.55% pa |
| Legal & General                        | Corporate Bonds    | Markit iBoxx GBP Non-Gilts (AllStocks)                         | Benchmark           |
| Allianz                                | Multi-Asset Bonds  | IBOXX GBP Corporate Bonds                                      | Benchmark +1.5% pa  |
| LCIV All Duration Buy & Maintain Bonds | Corporate Bonds    | iBoxx GBP Collateralized & Corporates (25% Sector Cap) Index   | Benchmark           |
| LCIV ACF (CQS)                         | Multi-Asset Credit | 7-Day SONIA + 4%                                               | Benchmark           |
| Oak Hill                               | Multi-Asset Credit | 7-Day SONIA + 4%                                               | Benchmark           |

|                                  |                     |                                                               |                  |
|----------------------------------|---------------------|---------------------------------------------------------------|------------------|
| CCLA / LAMIT                     | Commercial Property | MSCI / AREF All Balanced Property Fund Index Weighted Average | Benchmark +1% pa |
| Legal & General                  | Commercial Property | MSCI / AREF All Balanced Property Fund Index Weighted Average | Benchmark +1% pa |
| Schroders SCREF                  | Commercial Property | MSCI / AREF All Balanced Property Fund Index Weighted Average | Benchmark +1% pa |
| Threadneedle Property Unit Trust | Commercial Property | MSCI / AREF All Balanced Property Fund Index Weighted Average | Benchmark +1% pa |
| JP Morgan                        | Infrastructure      | Absolute return 6%                                            | Benchmark        |
| Pantheon                         | Infrastructure      | Absolute return 6%                                            | Benchmark        |
| LCIV Renewable Infrastructure    | Infrastructure      | Absolute return 6%                                            | Benchmark        |
| Sandbrook                        | Infrastructure      | Absolute return 6%                                            | Benchmark        |
| Octopus                          | Infrastructure      | Absolute return 6%                                            | Benchmark        |
| Brightwood                       | Private Debt        | Absolute return 6%                                            | Benchmark        |
| Churchill                        | Private Debt        | Absolute return 6%                                            | Benchmark        |
| Permira                          | Private Debt        | Absolute return 6%                                            | Benchmark        |

## **Management Expenses**

| Detail of Investment Management Expenses |                                                     | 2023/24<br>Total<br>£000 | 2024/25<br>Total<br>£000 | Variance<br>£000      % |      |
|------------------------------------------|-----------------------------------------------------|--------------------------|--------------------------|-------------------------|------|
| <b>Asset Class</b>                       | <b>Pooled via London CIV</b>                        |                          |                          |                         |      |
| Equity                                   | LCIV Global Alpha Growth - Baillie Gifford          | 1,291                    | 1,410                    | 119                     | 9%   |
| Equity                                   | LCIV Global Equity Focus - Longview                 | 2,170                    | 2,456                    | 286                     | 13%  |
| Equity                                   | LCIV Sustainable Equity - RBC                       | 973                      | 1,056                    | 83                      | 9%   |
| Bonds                                    | LCIV Buy & Maintain All Maturity bonds <sup>1</sup> | 0                        | 93                       | 93                      | n/a  |
| MAC                                      | LCIV Alternative Credit – CQS                       | 812                      | 811                      | (1)                     | 0%   |
| Infrastructure                           | LCIV Renewable Infrastructure                       | 1,055                    | 1,061                    | 6                       | 1%   |
|                                          | <b>Managed by London CIV</b>                        |                          |                          |                         |      |
| Equity                                   | Legal & General (Equity)                            | 167                      | 186                      | 19                      | 11%  |
| Equity                                   | LCIV Legal & General pool fee                       | 26                       | 29                       | 3                       | 12%  |
| Bonds                                    | Legal & General (Bonds)                             | 6                        | 6                        | 0                       | 0%   |
| Bonds                                    | LCIV Legal & General pool fee                       | 2                        | 2                        | 0                       | 0%   |
|                                          | <b>Not Pooled</b>                                   |                          |                          |                         |      |
|                                          | <b>- Jointly procured with other councils</b>       |                          |                          |                         |      |
| Private Debt                             | Brightwood *                                        | 165                      | 161                      | (4)                     | -2%  |
| Private Debt                             | Churchill *                                         | 674                      | 521                      | (153)                   | -23% |
| Private Debt                             | Permira                                             | 528                      | 480                      | (48)                    | -9%  |
|                                          | <b>- Individual contract</b>                        |                          |                          |                         |      |
| Bonds                                    | Allianz <sup>1</sup>                                | 229                      | 109                      | (120)                   | -52% |
| Bonds                                    | Janus Henderson <sup>1</sup>                        | 56                       | 28                       | (28)                    | -50% |

|                                             |                                           |               |               |            |           |
|---------------------------------------------|-------------------------------------------|---------------|---------------|------------|-----------|
| MAC                                         | Oakhill                                   | 1,047         | 695           | (352)      | -34%      |
| Property                                    | CCLA                                      | 27            | 25            | (2)        | -7%       |
| Property                                    | Legal & General                           | 122           | 125           | 3          | 2%        |
| Property                                    | Nuveen (UKPF) <sup>2</sup>                | 252           | 222           | (30)       | -12%      |
| Property                                    | Columbia Threadneedle TPUT <sup>2</sup>   | 0             | 33            | 33         | n/a       |
| Property                                    | Schroders                                 | 410           | 382           | (28)       | -7%       |
| Infrastructure                              | JP Morgan *                               | 722           | 980           | 258        | 36%       |
| Infrastructure                              | Pantheon *                                | 483           | 452           | (31)       | -6%       |
| Infrastructure                              | Sandbrook *                               | 492           | 511           | 19         | n/a       |
| Infrastructure                              | Octopus                                   | 53            | 84            | 31         | n/a       |
| <b>Other Costs</b>                          |                                           |               |               |            |           |
|                                             | Russell (FX hedge for FX risk management) | 168           | 179           | 11         | 7%        |
|                                             | London LCIV Fixed Costs                   | 101           | 98            | (3)        | -3%       |
|                                             | Other - Balance of Estimated Fees         | (11)          | 2             | 13         | -118%     |
| <b>Total paid to Fund Managers</b>          |                                           | <b>12,020</b> | <b>12,197</b> | <b>177</b> | <b>1%</b> |
| Administering Authority monitoring cost     |                                           | 105           | 104           | (1)        | -1%       |
| Custodian - Custody Fees                    |                                           | 40            | 31            | (9)        | -23%      |
| <b>Total Investment Management Expenses</b> |                                           | <b>12,165</b> | <b>12,332</b> | <b>167</b> | <b>1%</b> |

\* Investment and fees are paid in US dollars so the value of fees will also vary with the exchange rate  
1 Allianz and Janus Henderson bond holdings were sold and reinvested in the new LCIV bond fund (with additional cash to rebalance) in October 2024.

2 Nuveen UKPF was merged into the Columbia Threadneedle TPUT on 28 February 2025.

Fees are recorded using the SAB's Cost of Transparency cost transparency returns from managers where these are available to ensure all relevant fees are included to give the true cost of management.

Investment management fees are always linked to the value of the investment, therefore costs are expected to increase where the investment value has increased due to new investment or re-investment of earnings. Changes in the market value of the investment will also impact fees, as will comparative performance where this triggers a performance fee. Fees should also be considered in the context of performance (shown on page 60).

Active investment will always incur higher fees than passive and it involves more informed decision making by the fund managers. Similarly, assets which are less liquid and require more judgement in assessing their value will also incur higher fees due to the time inputs and level of knowledge required for their management. Active management is expected to give higher returns than passive management due to the expertise of the manager. Similarly, less liquid assets should give higher returns to recognise the longer terms commitment, and these assets are usually actively managed to ensure the long term commitment gives appropriate security and returns.

The table below includes the non-performance data driving fee movements:

| Change in cost due to                         | New Investment /Sale | Re-investment of returns | Valuation Gain or Loss | Performance Fee |
|-----------------------------------------------|----------------------|--------------------------|------------------------|-----------------|
| <b>Pooled via London CIV</b>                  |                      |                          |                        |                 |
| LCIV Global Alpha Growth - Baillie Gifford    | none                 | No                       | Gain                   | No              |
| LCIV Global Equity Focus - Longview           | none                 | Yes                      | Gain                   | No              |
| LCIV Sustainable Equity - RBC                 | none                 | Yes                      | Gain                   | No              |
| LCIV Buy & Maintain All Maturity bonds        | Investment           | No                       | n/a                    | No              |
| LCIV Alternative Credit - CQS                 | none                 | Yes                      | Gain                   | No              |
| LCIV Renewable Infrastructure                 | Investment           | No                       | Gain                   | No              |
| <b>Managed by London CIV</b>                  |                      |                          |                        |                 |
| Legal & General (Equity)                      | none                 | Yes                      | Gain                   | No              |
| LCIV Legal & General pool fee                 | none                 | n/a                      | Gain                   | n/a             |
| Legal & General (Bonds)                       | none                 | Yes                      | Gain                   | No              |
| LCIV Legal & General pool fee                 | none                 | n/a                      | Gain                   | n/a             |
| <b>Not Pooled</b>                             |                      |                          |                        |                 |
| <b>- Jointly procured with other councils</b> |                      |                          |                        |                 |
| Brightwood                                    | sale                 | No                       | Loss                   | No              |
| Churchill                                     | both                 | No                       | Loss                   | No              |
| Permira                                       | both                 | No                       | Loss                   | No              |
| <b>- Individual contract</b>                  |                      |                          |                        |                 |
| Allianz                                       | sale                 | Yes                      | n/a                    | No              |
| Janus Henderson                               | sale                 | Yes                      | n/a                    | No              |
| Oakhill                                       | none                 | No                       | Gain                   | Yes             |
| CCLA                                          | none                 | No                       | Loss                   | No              |
| Legal & General                               | none                 | Yes                      | Gain                   | No              |
| Nuveen (UKPF)                                 | sale                 | Yes                      | Loss                   | No              |
| Columbia Threadneedle TPUT                    | Investment           | No                       | n/a                    | No              |
| Schroders                                     | none                 | Yes                      | Loss                   | No              |
| JP Morgan                                     | none                 | No                       | Loss                   | Yes             |
| Pantheon                                      | sale                 | No                       | Gain                   | No              |
| Sandbrook - no investment until 2023/24       | Investment           | No                       | Gain                   | No              |
| Octopus - no investment until 2023/24         | Investment           | No                       | Gain                   | No              |

## **Environmental, Social and Governance Considerations in Investment**

### **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. All managers are expected to monitor these issues and engage with companies to drive improvement. The Fund believes that effective engagement brings wider benefits than disinvestment, although disinvestment should be considered if engagement is not successful.

Environmental, Social and Governance (ESG) issues are also of concern to the Fund's stakeholders. In June 2022 the Committee set a specific decarbonisation target to achieve net zero carbon by 2050 while targeting a 60% reduction in carbon emissions (from the 2019 baseline) by 2030 with further interim targets based on the European policy decarbonisation curve.

The Committee have also adopted investment managers' socially responsible investment policies. These are regularly reviewed by officers and the Committee to ensure manager policies are in line with the Fund's policies and targets.

The Joint Pensions Committee heard a deputation from the Friends of Palestine at the 15 October 2024 meeting regarding the conflict in Gaza and committed to evaluate potential action for disinvestment and to report to a future Committee explaining the options. The options available will now be those offered by LCIV as the Government has stated that all LGPS investments must be managed by a regional pool by 31 March 2026. The London CIV is currently reviewing its responsible investment options to ensure that there are good fit options available to all investors once pooling is mandatory. The current view and policies can be found on the [London CIV Responsible Investment web page](#).

### **Voting**

From 1st October 2016, the Fund's investment managers were instructed to vote "having had due regard to the stewardship code". The London CIV voting policy has been agreed by the Pensions Sectoral Joint Committee and will implement voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible. The Fund only invests via pooled vehicles and therefore does not have voting rights as it has no directly held investments.

### **The Stewardship Code**

The Committee has agreed to adhere to the Stewardship Code as published by the Financial Reporting Council and expects the London CIV and directly appointed fund managers to also comply with the Code.

### **Membership of external bodies**

The Fund is a member of the Local Authorities' Pension Fund Forum (LAPFF).

### **Manager changes**

There were 2 manager changes during the year:

- Bonds - The Fund ended its investments with Allianz and Janus Henderson and transferred the value of these investment plus a cash top up to the new LCIV Buy & Maintain All Maturities bond fund. The sale of assets was completed by 9 October 2024 when the LCIV fund started.
- Property - The Nuveen UKPF property fund was merged into the Columbia Threadneedle TPUT fund with effect from 28 February 2025.

## **Monitoring of Managers**

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

## **Strategic Asset Allocation**

The Asset Allocation is reviewed regularly as needed, including after a triennial valuation to ensure the allocation is likely to achieve the level of returns assumed in the valuation with a level risk in line with the Committee's appetite for risk. The last triennial valuation was based on 31 March 2022 data and the final valuation results report was approved by Joint Pensions Committee in March 2023.

The Committee met in June 2023 to consider Mercer's review of the asset allocations and consider their options for change. The outcome of the review was that Mercer did not recommend any significant amendments and the no change option was agreed.

The asset allocations in place for 2024/25 were:

|                       |        |
|-----------------------|--------|
| Global Equity         | 55.00% |
| MAC                   | 10.00% |
| Property              | 6.00%  |
| Infrastructure Equity | 10.00% |
| Private Debt          | 8.00%  |
| Corporate Bonds       | 10.00% |
| Cash                  | 1.00%  |

In setting these allocations the Committee acknowledged that the use of closed ended private asset investments would mean it would take time to build up to the allocation and that new investments would need to be found to replace those maturing and avoid an ongoing underweight position. All funds are currently in the investment phase or have completed investment but have yet to start the repayment phase.

The position at 31 March 2025 was as follows:

| <b>Asset Class / ISS Category</b>               | <b>Pooled</b> | <b>£m</b>      | <b>% of Fund</b> | <b>Target</b> | <b>+ / -</b> | <b>Permitted Range</b> |
|-------------------------------------------------|---------------|----------------|------------------|---------------|--------------|------------------------|
| LCIV GAG (BG)                                   | Pooled        | 386.8          | 12.3%            |               |              |                        |
| LCIV GEF (LV)                                   | Pooled        | 555.4          | 17.6%            |               |              |                        |
| LCIV SE (RBC)                                   | Pooled        | 295.8          | 9.4%             |               |              |                        |
| Legal & General                                 | Pool Mgt      | 571.1          | 18.1%            |               |              |                        |
| <b>Global Equities</b>                          |               | <b>1,809.1</b> | <b>57.4%</b>     | <b>55.0%</b>  | <b>2.4%</b>  | <b>45-65%</b>          |
| LCIV B&M All Duration                           | Pooled        | 273.8          | 8.7%             |               |              |                        |
| Legal & General                                 | Pool Mgt      | 42.2           | 1.3%             |               |              |                        |
| <b>Corporate Bonds</b>                          |               | <b>316.0</b>   | <b>10.0%</b>     | <b>10.0%</b>  | <b>0.0%</b>  | <b>5-15%</b>           |
| LCIV ACF (CQS)                                  | Pooled        | 181.4          | 5.8%             |               |              |                        |
| Oak Hill                                        | Direct        | 144.2          | 4.6%             |               |              |                        |
| <b>Multi-Asset Credit</b>                       |               | <b>325.6</b>   | <b>10.4%</b>     | <b>10.0%</b>  | <b>0.4%</b>  | <b>5-15%</b>           |
| Schroders                                       | Direct        | 89.7           | 2.9%             |               |              |                        |
| Columbia Threadneedle TPUT<br>(was Nuveen UKPF) | Direct        | 37.8           | 1.2%             |               |              |                        |
| Legal & General                                 | Direct        | 20.0           | 0.6%             |               |              |                        |
| CCLA / LAMIT                                    | Direct        | 4.1            | 0.1%             |               |              |                        |
| <b>Property</b>                                 |               | <b>151.6</b>   | <b>4.8%</b>      | <b>6.0%</b>   | <b>-1.3%</b> | <b>4-8%</b>            |
| JP Morgan                                       | Direct        | 102.0          | 3.2%             |               |              |                        |
| Pantheon                                        | Direct        | 54.8           | 1.7%             |               |              |                        |
| LCIV Renewable Infrastructure                   | Pooled        | 77.0           | 2.4%             |               |              |                        |
| Sandbrook                                       | Direct        | 18.7           | 0.6%             |               |              |                        |
| Octopus                                         | Direct        | 24.9           | 0.8%             |               |              |                        |
| <b>Infrastructure</b>                           |               | <b>277.4</b>   | <b>8.7%</b>      | <b>10.0%</b>  | <b>-1.2%</b> | <b>5-15%</b>           |
| Brightwood                                      | Direct        | 16.7           | 0.5%             |               |              |                        |
| Churchill                                       | Direct        | 66.7           | 2.1%             |               |              |                        |
| Permira                                         | Direct        | 71.2           | 2.3%             |               |              |                        |
| <b>Private Debt</b>                             |               | <b>154.6</b>   | <b>4.9%</b>      | <b>8.0%</b>   | <b>-3.2%</b> | <b>4-12%</b>           |
| Cash                                            | Direct        | 98.7           | 3.1%             |               |              |                        |
| Market value of hedge                           | Direct        | 21.4           | 0.7%             |               |              |                        |
| Debtors                                         | Direct        | 0.4            | 0.0%             |               |              |                        |
| <b>Cash &amp; Cash Equivalents</b>              |               | <b>120.5</b>   | <b>3.8%</b>      | <b>1.0%</b>   | <b>2.9%</b>  | <b>0.5-3%</b>          |
| <b>Total</b>                                    |               | <b>3,154.8</b> | <b>100.0%</b>    | <b>100.0%</b> |              |                        |

### **Pooling**

As a London Borough, the Fund is currently only eligible to join the London CIV pool. The Fund has pooled all its equity and bond investments, and a significant part of its Multi Asset Credit and Infrastructure allocation.

The Fund has consideration to the current regulations, and had used CIV investment options where they exist in the asset class and the CIV option is sufficiently aligned to the Fund's strategy. This will be replaced by the draft Pension Schemes Bill requirement to have all investments managed by a pool by 31 March 2026 and the Fund is engaging with London CIV to facilitate compliance with the expected regulations.

The table below analyses the Fund's investments between those made with the London CIV pool, those managed by the CIV and those where the Fund has directly engaged managers. Excluding cash and cash equivalents, there are 12 managers with investments totalling £651m outside the CIV which would need to transition to CIV management during 2025/26 to comply with the draft Bill.

The Fund had 76% of its assets under LCIV management at 31 March, including £274m of bonds which were transferred to the CIV's new bond fund in year. This leaves one liquid fund

(OakHill MAC) were LCIV have yet to offer a fund with a similar regional focus in line with the Fund's strategy and to complement the existing LCIV MAC fund. The remaining investments include open ended property funds where there are tax implications of a transfer to LCIV, private assets which are closed funds where the intention is for LCIV to manage the funds until they are fully repaid with repayments being used to invest in LCIV funds, and one open ended infrastructure fund which LCIV are aware of. Russell Investments provide currency hedging as an exchange rate risk management tool, and so are treated as a cash equivalent rather than an investment asset.

| Market Value 31 March 2024                                     |              |                                                        | Market Value 31 March 2025 |              |  |
|----------------------------------------------------------------|--------------|--------------------------------------------------------|----------------------------|--------------|--|
| £000                                                           | %            |                                                        | £000                       | %            |  |
| <b>Pooled (London LCIV)</b>                                    |              |                                                        |                            |              |  |
| <b>Equity</b>                                                  |              |                                                        |                            |              |  |
| 563,765                                                        | 18.3         | London LGPS LCIV (Global Equity Focus Longview)        | 555,411                    | 17.6         |  |
| 399,759                                                        | 13.0         | London LGPS LCIV (Global Alpha Growth Baillie Gifford) | 386,850                    | 12.3         |  |
| 291,549                                                        | 9.5          | London LGPS LCIV (Sustainable Equity Fund RBC)         | 295,763                    | 9.4          |  |
| <b>Bonds</b>                                                   |              |                                                        |                            |              |  |
| 0                                                              | 0.0          | London LGPS LCIV (Buy & Maintain All Duration bonds)   | 273,819                    | 8.7          |  |
| <b>MAC</b>                                                     |              |                                                        |                            |              |  |
| 166,856                                                        | 5.4          | London LGPS LCIV (Alternative Credit CQS)              | 181,415                    | 5.8          |  |
| <b>Infrastructure</b>                                          |              |                                                        |                            |              |  |
| 61,382                                                         | 2.0          | London LGPS LCIV (Renewable Infrastructure)            | 76,963                     | 2.4          |  |
| <b>1,483,311</b>                                               | <b>48.2</b>  | <b>Pooled total</b>                                    | <b>1,770,221</b>           | <b>56.2</b>  |  |
| <b>Under Pool Management (London CIV)</b>                      |              |                                                        |                            |              |  |
| <b>Equity</b>                                                  |              |                                                        |                            |              |  |
| 542,468                                                        | 17.6         | Legal & General (Passive equity)                       | 571,086                    | 18.1         |  |
| <b>Bonds</b>                                                   |              |                                                        |                            |              |  |
| 41,202                                                         | 1.3          | Legal & General (Bonds)                                | 42,177                     | 1.3          |  |
| <b>583,670</b>                                                 | <b>18.9</b>  |                                                        | <b>613,263</b>             | <b>19.4</b>  |  |
| <b>Not Pooled</b>                                              |              |                                                        |                            |              |  |
| <b>Bonds</b>                                                   |              |                                                        |                            |              |  |
| 205,418                                                        | 6.7          | Allianz (Enhanced Bonds)*                              | 0                          | 0.0          |  |
| 34,779                                                         | 1.1          | Janus Henderson (Pooled Bonds)                         | 0                          | 0.0          |  |
| <b>MAC</b>                                                     |              |                                                        |                            |              |  |
| 146,013                                                        | 4.8          | Oakhill (Multi-Asset Credit)                           | 144,242                    | 4.7          |  |
| <b>Property</b>                                                |              |                                                        |                            |              |  |
| 41,143                                                         | 1.3          | Nuveen Real Estate UKPF (Pooled Property)              | 0                          | 0.0          |  |
| 0                                                              | 0.0          | Threadneedle Property Unit Trust (Pooled Property)     | 37,751                     | 1.2          |  |
| 4,052                                                          | 0.1          | CCLA / LAMIT (Pooled Property)                         | 4,130                      | 0.1          |  |
| 86,773                                                         | 2.8          | Schroders SCREF (Pooled Property)                      | 89,732                     | 2.8          |  |
| 18,585                                                         | 0.6          | L&G (Pooled Property)                                  | 19,952                     | 0.6          |  |
| <b>Infrastructure</b>                                          |              |                                                        |                            |              |  |
| 101,449                                                        | 3.3          | JP Morgan Asset Management (Infrastructure)            | 102,032                    | 3.2          |  |
| 61,405                                                         | 2.0          | Pantheon Ventures (Infrastructure)                     | 54,781                     | 1.7          |  |
| 13,411                                                         | 0.4          | Sandbrook (Infrastructure)                             | 18,700                     | 0.6          |  |
| 12,242                                                         | 0.4          | Octopus (Infrastructure)                               | 24,916                     | 0.8          |  |
| <b>Private Debt</b>                                            |              |                                                        |                            |              |  |
| 21,042                                                         | 0.7          | Brightwood (Private Debt)                              | 16,694                     | 0.5          |  |
| 81,904                                                         | 2.7          | Churchill (Private Debt)                               | 66,741                     | 2.1          |  |
| 88,624                                                         | 2.9          | Permira Advisors LLP (Private Debt)                    | 71,229                     | 2.3          |  |
| <b>Cash and Cash Equivalents</b>                               |              |                                                        |                            |              |  |
| 95,046                                                         | 3.1          | Northern Trust (Custodian)                             | 99,026                     | 3.1          |  |
| (992)                                                          | 0.0          | Russell Investments (FX Overlay)*                      | 21,422                     | 0.7          |  |
| <b>1,010,894</b>                                               | <b>32.9</b>  | <b>Not Pooled total</b>                                | <b>771,348</b>             | <b>24.4</b>  |  |
| <b>3,077,875</b>                                               | <b>100.0</b> | <b>Total Net Investments</b>                           | <b>3,154,832</b>           | <b>100.0</b> |  |
| * Segregated assets. All other assets held via pooled vehicles |              |                                                        |                            |              |  |

| <b>Asset values as at 31 March 2024</b>                  |               |                              |                   |              |
|----------------------------------------------------------|---------------|------------------------------|-------------------|--------------|
| <b>£m</b>                                                | <b>Pooled</b> | <b>Under pool management</b> | <b>Not pooled</b> | <b>Total</b> |
| Equities (including convertible shares)                  | 1,255         | 542                          | 0                 | 1,797        |
| Bonds                                                    | 0             | 0                            | 276               | 276          |
| Property                                                 | 0             | 0                            | 151               | 151          |
| Hedge funds                                              | 0             | 0                            | 0                 | 0            |
| Diversified Growth Funds (including multi-asset funds) * | 167           | 0                            | 146               | 313          |
| Private equity                                           | 0             | 0                            | 0                 | 0            |
| Private debt                                             | 0             | 0                            | 190               | 190          |
| Infrastructure                                           | 61            | 0                            | 185               | 246          |
| Derivatives                                              | 0             | 0                            | -1                | -1           |
| Cash and net current assets                              | 0             | 0                            | 106               | 106          |
| Other                                                    | 0             | 0                            | 0                 | 0            |
| <b>Total</b>                                             | <b>1,483</b>  | <b>542</b>                   | <b>1,053</b>      | <b>3,078</b> |

| <b>Asset values as at 31 March 2025</b>                  |               |                              |                   |              |
|----------------------------------------------------------|---------------|------------------------------|-------------------|--------------|
| <b>£m</b>                                                | <b>Pooled</b> | <b>Under pool management</b> | <b>Not pooled</b> | <b>Total</b> |
| Equities (including convertible shares)                  | 1,238         | 571                          | 0                 | 1,809        |
| Bonds                                                    | 274           | 42                           | 0                 | 316          |
| Property                                                 | 0             | 0                            | 152               | 152          |
| Hedge funds                                              | 0             | 0                            | 0                 | 0            |
| Diversified Growth Funds (including multi-asset funds) * | 182           | 0                            | 144               | 326          |
| Private equity                                           | 0             | 0                            | 0                 | 0            |
| Private debt                                             | 0             | 0                            | 155               | 155          |
| Infrastructure                                           | 77            | 0                            | 200               | 277          |
| Derivatives                                              | 0             | 0                            | 21                | 21           |
| Cash and net current assets                              | 0             | 0                            | 99                | 99           |
| Other                                                    | 0             | 0                            | 0                 | 0            |
| <b>Total</b>                                             | <b>1,771</b>  | <b>613</b>                   | <b>771</b>        | <b>3,155</b> |

\* Multi Asset Credit funds only, no DGF

The Fund does not have a specific UK allocation to listed equities, government bonds, infrastructure and does not invest in private equity.

UK listed equity holdings are estimated based on the denomination of shares held and the Fund's notional share of pooled investment vehicles.

UK Government Bonds are estimated based on the Fund's share of pooled investment vehicles and includes investment in Transport for London.

| <b>Asset values as at 31 March 2025</b> |               |                              |                   |              |
|-----------------------------------------|---------------|------------------------------|-------------------|--------------|
| <b>£m</b>                               | <b>Pooled</b> | <b>Under pool management</b> | <b>Not pooled</b> | <b>Total</b> |
| UK Listed Equities                      | 76            | 17                           | 0                 | 93           |
| UK Government Bonds                     | 10            | 0                            | 0                 | 10           |
| UK Infrastructure                       | 27            | 0                            | 39                | 66           |
| UK Private Equity                       |               | not held                     |                   |              |

The additional costs, gross and net savings from Wandsworth's investments via the London CIV pool are shown in the table below:

| £000                               |                                     |                                 |                           |               |
|------------------------------------|-------------------------------------|---------------------------------|---------------------------|---------------|
| Year                               | Investment<br>Advisor<br>Fee Saving | Increase in<br>Other<br>Charges | LCIV<br>Management<br>Fee | Net<br>Saving |
| 2015-16                            | 27                                  | -13                             | -91                       | -77           |
| 2016-17                            | 304                                 | -96                             | -121                      | 87            |
| 2017-18                            | 922                                 | -65                             | -307                      | 550           |
| 2018-19                            | 1,214                               | 0                               | -322                      | 892           |
| 2019-20                            | 1,390                               | -29                             | -294                      | 1,067         |
| 2020-21                            | 774                                 | -9                              | -312                      | 453           |
| 2021-22                            | 1,379                               | 94                              | -434                      | 1,039         |
| 2022-23                            | 1,740                               | 143                             | -466                      | 1,417         |
| 2023-24                            | 2,000                               | -39                             | -526                      | 1,435         |
| 2024-25                            | 2,225                               | -47                             | -574                      | 1,604         |
| <b>Cumulative to 31 March 2025</b> | <b>11,975</b>                       | <b>-61</b>                      | <b>-3,447</b>             | <b>8,467</b>  |

## **6. Administration**

### **Summary of Activity**

#### **Overview**

The Pensions Shared Service (the Service) is part of the Financial Services Division of the Finance 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) Maintaining 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) Contributing to national policy formulation on pensions to reflect the employers' preferred approach.
- g) Prudently manage the budgets under the Service's control.
- h) Exploiting information technology to improve service standards and efficiency.
- i) Training and developing staff to meet these service objectives.

The Pensions Shared Service comprises an establishment of 39 FTE staff working across two teams dealing with all aspects of pensions administration except investments. The work of each team is set out below:

#### **Data and Communications**

The team is managed by a Business Change Manager with a team of 14 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.

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

#### **Benefits**

The team is managed by a Pensions Manager (Benefits) with a team of 21 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.

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

## **General**

There is a Suggestions and Complaints procedure available to any person who wishes to suggest or complain about the Service. Details of individual complaints along with the overall number of complaints are reported each year. There is also a two-stage statutory Independent Dispute Resolution Procedure within the LGPS regulations. Details of this procedure are available on the Pensions Shared Service website at <https://pensionssharedservice.org.uk/> or on request.

The Head of Service is Martin Doyle and his deputy is Carrie Adubofour in her role as Pensions Administration Manager. The team managers are: Kat Morgan (Pensions Manager - Benefits) and Gabriela Olimon (Business Change Manager - Data and Communications). The managers of the service can be contacted by email to [pensions@richmondandwandsworth.gov.uk](mailto:pensions@richmondandwandsworth.gov.uk). The Service reports to the Council's Director of Financial Services, Paul Guillioti.

## **Review of 2024/25**

Performance Indicators for key work items, customer satisfaction levels remain high and complaints extremely low.

The PSS continues to roll out more digital processing and self service options for an improved customer experience. It has continued to undertake work outside of its normal case work to improve the service for the future. Work is ongoing for the following:

- a) Guaranteed Minimum Pension (GMP) reconciliation – the process of comparing the Pension Fund's GMP information with that held by HMRC – is progressing. Mercers are due to complete a fresh analysis of the differences between HMRC data and the Fund's records. The next steps will be to begin the delivery phase of the reconciliation project – amending pension records and pensioners payroll. The Pensions Committee and Board will be kept informed of progress.
- b) [Member Self Service \(MSS\)](#) – promotion continues. The expectation is that this online portal will become the default method of Pensions Shared Service communication with members and improvement in customer service and information exchange is expected.

MSS is the simple and secure way for scheme members to:

- i. view their pension records;
- ii. make changes to their personal information such as address, email and phone details, etc.
- iii. make a death grant nomination;
- iv. run calculations including retirement estimates;
- v. view documents such as their latest annual benefit statement;
- vi. contact the Pensions Shared Service with any questions.

## **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.

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.

| <b>Type of Early Retirement</b>          | <b>Number in<br/>23/24</b> | <b>Number in<br/>24/25</b> |
|------------------------------------------|----------------------------|----------------------------|
| Ill Health from active                   | 3                          | 10                         |
| Redundancy                               | 31                         | 18                         |
| Efficiency of the Service                | 0                          | 0                          |
| Compassionate Retirement                 | 0                          | 0                          |
| <b>Total</b>                             | <b>34</b>                  | <b>28</b>                  |
| <b>Total Capitalised Payments (£000)</b> | <b>978</b>                 | <b>1,589</b>               |

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, the pension will be increased. The level of ill health retirement benefits depends on how capable the member is of sustaining gainful employment after they leave.

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.

### **Key Performance Indicators**

The Fund’s performance against national Key Performance Indicators (KPI) is set out in Appendix 2 – Administration Key Performance Indicators

The list of KPIs in Appendix 2 has been jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and, Department for Levelling Up, Housing and Communities (DLUHC) in consultation with funds, industry experts and other interested stakeholders.

The list of KPIs includes monthly data collection and data quality indicators which are designed to encourage more consistent and effective data management, both internally and when supporting employers.

Funds are asked to disclose the scores reported to The Pensions Regulator (TPR) in the TPR Scheme Return on Common and Scheme Specific Data in the administration KPI table.

## **Fund Members and Employers**

### **Fund Members**

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

| <b>Membership</b>       | <b>2022/23</b> | <b>2023/24</b> | <b>% Change<br/>during<br/>2023/24</b> | <b>2024/25</b> | <b>% Change<br/>during<br/>2024/25</b> |
|-------------------------|----------------|----------------|----------------------------------------|----------------|----------------------------------------|
| Active contributors     | 11,136         | 11,278         | 1.3%                                   | 11,295         | 0.2%                                   |
| Pensioners              | 9,885          | 9,985          | 1.0%                                   | 10,356         | 3.7%                                   |
| Dependant pensioners    | 1,478          | 1,419          | -4.0%                                  | 1,441          | 1.6%                                   |
| Deferred                | 18,041         | 18,199         | 0.9%                                   | 19,220         | 5.6%                                   |
| Undecided Leavers       | 2,196          | 1,930          | -12.1%                                 | 1,209          | -37.4%                                 |
| <b>Total Membership</b> | <b>42,736</b>  | <b>42,811</b>  | <b>0.2%</b>                            | <b>43,521</b>  | <b>1.7%</b>                            |

Details of new pensioners analysed by reason for retirement is given below as at each year on 31 March.

| <b><u>Reason for Retirement</u></b>          | <b>23/24</b> | <b>24/25</b> |
|----------------------------------------------|--------------|--------------|
| <b>III Health Retirement (Total)</b>         | <b>3</b>     | <b>13</b>    |
| Tier 1                                       | 3            | 9            |
| Tier 2                                       | 0            | 0            |
| Tier 3                                       | 0            | 1            |
| From Deferred                                | 0            | 3            |
| <b>Redundancy</b>                            | <b>31</b>    | <b>18</b>    |
| <b>Flexible</b>                              | <b>9</b>     | <b>13</b>    |
| <b>Voluntary at Normal Pension Age (NPA)</b> | <b>316</b>   | <b>310</b>   |
| <b>Voluntary before NPA</b>                  | <b>132</b>   | <b>134</b>   |
| <b>Late</b>                                  | <b>76</b>    | <b>76</b>    |
| <b>Total</b>                                 | <b>570</b>   | <b>564</b>   |

NB This table shows new pensioners only, the change in pensioner numbers in the table above is net of pension payments ending and so is expected to be lower.

For those awarded an ill health pension as an active contributing member of the scheme, there are graded levels of benefit based on how likely they are to be capable of gainful employment after they leave. Tier 1 represents the maximum enhancement. For deferred members there is no enhancement, but they do receive unreduced pension benefits.

Flexible retirement is available from age 55, where an active contributing member reduces their weekly hours or moves to a less senior position and provided their employer agrees, they then take some or all of their pension benefits.

Normal Pension Age is linked to a member's State Pension Age for benefits built up from 1 April 2014 (but with a minimum of age 65) and is the age at which a member can take their pension in full if they voluntarily retire. If a member was paying into the LGPS before 1 April 2014 their final salary benefits retain their protected Normal Pension Age - which for most is age 65.

Late retirement is where members take their pension benefits after their NPA

The age profile of the membership calculated as at 31 March 2025 is shown in the table below.

| Type of Member/Number within Age Band |         |          |            |            |
|---------------------------------------|---------|----------|------------|------------|
| Age Band                              | Actives | Deferred | Pensioners | Dependants |
| 0-5                                   |         |          |            | 1          |
| 6-10                                  |         |          |            | 7          |
| 11-15                                 |         |          |            | 23         |
| 16-20                                 | 210     | 70       |            | 42         |
| 21-25                                 | 632     | 562      |            | 17         |
| 26-30                                 | 902     | 1,351    |            | 1          |
| 31-35                                 | 964     | 2,054    |            | 8          |
| 36-40                                 | 1,095   | 2,462    |            | 1          |
| 41-45                                 | 1,447   | 2,595    | 1          | 7          |
| 46-50                                 | 1,442   | 2,546    | 2          | 22         |
| 51-55                                 | 1,467   | 2,959    | 27         | 32         |
| 56-60                                 | 1,637   | 3,071    | 485        | 52         |
| 61-65                                 | 1,149   | 1,819    | 1,655      | 82         |
| 66-70                                 | 278     | 538      | 2,451      | 145        |
| 71-75                                 | 70      | 212      | 2,138      | 177        |
| 76-80                                 | 2       | 104      | 1,781      | 233        |
| 81-85                                 |         | 27       | 976        | 208        |
| 86-90                                 |         | 11       | 572        | 207        |
| 91-95                                 |         | 12       | 217        | 124        |
| 96-100                                |         | 5        | 58         | 44         |
| 101-105                               |         | 2        | 14         | 8          |
| 106-110                               |         | 1        | 2          |            |

### **Fund Employers**

The total number and list of employers is given in the Financial Performance section above.

### **Communications Policy**

In accordance with regulation 61 of the Local Government Pension Scheme Regulations 2013, the Pension Fund's Communications Policy Statement has been reviewed as part of the production of this report. The revised policy was presented and considered at the meeting of the Local Pension Board on 6 February 2025 and the Joint Pensions Committee on 7 January 2025. The changes to the policy reflect the introduction of the online portal Member Self Service as part of the channel shift strategy followed by the PSS and the introduction of a Pensions Administration Strategy. There is no immediate need to review the policy further at this time.

The Pensions Service issued newsletters to pensioners (in April), deferred members (in June) and active members (in August). Information contained in the newsletters included legislation changes, details of changes to the LGPS, pension scheme tax implications and notification of increases to pensions. Pensioner Members received monthly pay advice slips and a P60 in April. Annual Benefit Statements were issued to active and deferred members by the August deadline. The PSS has a website with increased information for all member categories.

### **Value for Money Statement**

The administration of the Fund is undertaken by Wandsworth Council's Pensions Shared Service (PSS), which provides pensions administration services to 5 London funds including

this one. The use of a shared service allows the Fund to access a wider range of knowledge and experience than a single fund service could provide.

### **Unit Costs per member**

|                                | <b>2023/24</b> | <b>2024/25</b> |
|--------------------------------|----------------|----------------|
| Administrative Costs           | £1,318,166     | £1,371,277     |
| Number of Members              | 42,811         | 43,521         |
| Administrative Cost per member | £30.79         | £31.51         |

The summary of administrative activity in year above gives more context to the change in cost.

### **Dispute Resolution**

#### **Internal Dispute Resolution Procedure**

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, Director of Revenue Services, at Stage 1. If a complainant still has a dispute this may then be referred at Stage 2 to the Director of 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.

| <b>IDRP - Number of appeals</b> | <b>23/24</b> | <b>24/25</b> |
|---------------------------------|--------------|--------------|
| In progress at start of year    | 2            | 0            |
| New appeals during the year     | 0            | 5            |
| In progress at end of year      | 0            | 2            |

| <b>IDRP</b>          | <b>23/24</b>     |                  |           | <b>24/25</b>     |                  |           |
|----------------------|------------------|------------------|-----------|------------------|------------------|-----------|
|                      | <b>1st stage</b> | <b>2nd Stage</b> | <b>PO</b> | <b>1st stage</b> | <b>2nd Stage</b> | <b>PO</b> |
| Complaint Not Upheld | 2                | 0                | 0         | 3                | 0                | 0         |
| Complaint Upheld     | 0                | 0                | 0         | 0                | 0                | 0         |
| Withdrawn            | 0                | 0                | 0         | 0                | 0                | 0         |

At the start of the year there were zero applications in progress. For the five complaints received in the year: both a deferred member and two active members challenged decisions not to award ill health retirement benefits; an active member complained against the decision not to waive early retirement reductions and a non-member challenged a decision not to award pensionable membership without payment of employee pension contributions. Three were adjudicated at the first stage of IDRP and were not upheld. Outstanding adjudications at the end of the year were one deferred member and one active member who challenged decisions not to award ill health retirement benefits.

#### **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.

| <b>Type of Complaint</b> | <b>20/21</b> | <b>21/22</b> | <b>22/23</b> | <b>23/24</b> | <b>24/25</b> |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| System Error             | 0            | 0            | 0            | 0            | 1            |
| Staff Error              | 1            | 0            | 1            | 1            | 1            |
| Staff Attitude           | 0            | 0            | 0            | 0            | 1            |

|                                   |              |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Beyond Service Delivery Standards | 1            | 2            | 3            | 0            | 2            |
| Policy/Service Delivery changes   | 0            | 0            | 0            | 0            | 0            |
| Not the Lead Authority            | 0            | 0            | 0            | 0            | 0            |
| <b>Total</b>                      | <b>2</b>     | <b>2</b>     | <b>4</b>     | <b>1</b>     | <b>5</b>     |
| <b>Total as % of Workload</b>     | <b>0.03%</b> | <b>0.03%</b> | <b>0.05%</b> | <b>0.01%</b> | <b>0.06%</b> |

### 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.

|                | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
|----------------|-------|-------|-------|-------|-------|
| Very Satisfied | 69%   | 51%   | 47%   | 88%   | 69%   |
| Satisfied      | 23%   | 45%   | 42%   | 12%   | 22%   |
| Not satisfied  | 8%    | 4%    | 11%   | 0%    | 9%    |

From the year 2021-22, the Pensions Shared Service introduced a new way of recording customer satisfaction levels changing from forms returned by post to online which makes the surveys more accessible across the range of our customers.

## **7. Actuarial Report on The Fund**

### **Actuary's Statement as at 31 March 2025**

#### **Introduction**

The last full triennial valuation of the Wandsworth Pension Fund (the Fund) was carried out as at 31 March 2022 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 30 March 2023.

The full 2022 Valuation Report can be found on the Fund's website at <https://www.wandsworth.gov.uk/the-council/how-the-council-works/council-finances/wandsworth-pension-fund/>

#### **Asset value and funding level**

The results for the Fund at 31 March 2022 were as follows:

- The market value of the Fund's assets as at 31 March 2022 was £2.88bn. For funding purposes, this market value is adjusted to be on a smoothed basis (consistent with the value of liabilities) and to allow for a 10% asset shock reserve. The smoothed value of the Fund's assets as at 31 March 2022 was £2.54bn following these adjustments.
- The Fund had a funding level of 116% i.e. the value of assets for funding purposes was 116% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £0.35bn.

#### **Contribution rates**

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

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

The primary rate of contribution on a whole Fund level was 20.0% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

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

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

#### **Assumptions**

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

| <b>Assumptions</b>                      | <b>Assumptions used for the 2022 valuation</b> |
|-----------------------------------------|------------------------------------------------|
| <u>Financial assumptions</u>            |                                                |
| Market date                             | 31 March 2022                                  |
| CPI inflation                           | 2.9% p.a.                                      |
| Long-term salary increases              | 3.9% p.a.                                      |
| Discount rate                           | 4.4% p.a.                                      |
| <u>Demographic assumptions</u>          |                                                |
| Post-retirement mortality               | Male/Female                                    |
| <i>Member base tables</i>               | S3PA                                           |
| <i>Member mortality multiplier</i>      | 110%/110%                                      |
| <i>Dependant base tables</i>            | S3DA                                           |
| <i>Dependant mortality multiplier</i>   | 110%/90%                                       |
| <i>Projection model</i>                 | CMI 2021                                       |
| <i>Long-term rate of improvement</i>    | 1.25% p.a.                                     |
| <i>Smoothing parameter</i>              | 7.0                                            |
| <i>Initial addition to improvements</i> | 0% p.a.                                        |
| <i>2020/21 weighting parameter</i>      | 5%                                             |

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report..

### **Updated position since the 2022 valuation**

#### **- Assets**

The average investment return on the Fund's assets over the three years to 31 March 2025 has been positive and broadly in line with that assumed at the previous actuarial valuation. This has been offset to an extent by the Fund having had negative cash flow over the same period.

Overall, the total market value of Fund assets has increased between the last formal valuation and the year-end date of 31 March 2025.

#### **- Liabilities**

Average actual CPI inflation over the three years to 31 March 2025 has been higher than the long-term average assumed at the 2022 valuation, although this has been offset to an extent in valuing the Fund's liabilities by the long-term average CPI inflation assumption itself reducing between 31 March 2022 and 31 March 2025 under the 2022 valuation approach to deriving this assumption.

In addition, the net benefits and transfers paid out from the Fund over the three years to 31 March 2025 was higher than the further accrual of members' benefits over the period.

Overall, after taking account of these factors, the total value of Fund liabilities has increased between the last formal valuation and the year-end date of 31 March 2025.

### **Overall position**

We estimate that the present value of Fund liabilities increased by less than the market value of Fund Assets over the three years to 31 March 2025. As a result, when measured on a consistent basis updated for market conditions, the funding level is estimated to have improved compared to the position at the last formal valuation.

However, the full formal valuation of the Fund as at 31 March 2025 is now underway, which will set revised contributions for all employers due over the period from 1 April 2026 to 31 March 2029.

We are currently advising the Fund on the funding assumptions as at 31 March 2025, which may differ to the assumptions underlying this statement, with any updated assumptions needing to be reflected in a revised version of the Funding Strategy Statement. In addition, changes to the Fund membership may also affect the results of the full formal valuation as at 31 March 2025.

As a result, the overall funding position produced by the full formal valuation as at 31 March 2025 may differ from the estimated position contained within this statement.

**Chris Morton FFA**  
**Associate, Barnett Waddingham LLP**

**8. External Audit Opinion**

**Independent Auditor's Report to the Members of Wandsworth Borough Council on the Pension Fund's Financial Statements**

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## 9. Glossary

**Active Management** - Appointing investment professionals to track the performance of the Fund's mandates, making buy, hold and sell decisions about the assets with a view to outperforming the market.

**Active Member** - A current employee who is contributing to the pension scheme.

**Actuarial Valuation** - a review of the Pension Fund by a qualified Actuary, which takes place every three years to ensure that employers' contributions are sufficient to maintain the solvency of the Fund in the long term.

**Actuarial gains and losses** - for a defined benefit pension, changes in actuarial deficits or surpluses that arise because: a. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or b. the actuarial assumptions have changed.

**Actuary** - an independent qualified consultant who carries out the Actuarial Valuation and who assesses financial risks and costs, using a combination of statistical and mathematical techniques.

**Additional Voluntary Contributions (AVCs)** - An option available to active members to build up a pot of money which is then used to provide additional pension benefits. The money is invested separately with one of the Fund's external AVC providers.

**Administering Authority** - a local authority required to maintain a pension fund under LGPS regulations.

**Admission/Admitted Body** - An organisation whose employees can become members of the Fund by virtue of an admission agreement made between the council in its capacity as Administering Authority and the organisation. It enables contractors who take on council services to offer staff transferred to the organisation continued membership of the LGPS.

**Asset Allocation** - The apportionment of the Fund's assets between different types of investment (or asset classes). The long-term strategic asset allocation of the Fund will reflect the Fund's investment objectives and is set out in the Investment Strategy Statement.

**Authorised Contractual Scheme (ACS)** - A collective investment scheme used by BCPP. An ACS is a form of investment fund that enables a number of investors to 'pool' their assets and invest in a professionally managed portfolio of investments, typically gilts, bonds, and quoted equities. Regulated by the Financial Conduct Authority, it is "tax transparent"; making it particularly useful for pooling pension assets.

**Benchmark** - a measure against which a manager's performance is measured. These may be widely available market indices or refer to published rates or specific to the manager

**Bond** - a certificate of debt, paying a fixed rate of interest, issued by companies, governments or government agencies.

**Career Average Revalued Earnings (CARE) Scheme** – From 1 April, 2014, the LGPS changed from a final salary scheme to a Career Average (CARE) scheme. Pension is based on a proportion of actual earnings in any year (1 April to 31 March) and annually adjusted for inflation.

**Current service cost (pensions)** - the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Cash Equivalent Value (CEV)** - This is the cash value of a member's pensions rights for the purposes of divorce or dissolution of a civil partnership

**Consumer Price Index (CPI)** - A method of measuring the changes in the cost of living, similar to the Retail Price Index. Since April 2011 LGPS pensions are increased annually in line with movement in the Consumer Price Index during the 12 months to the previous September.

**Commutation** - A scheme member may give up part or all of the pension payable from retirement in exchange for an immediate lump sum

**Curtailment (pensions)** - for a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees

the accrual of defined benefits for some or all of their future service. Curtailments include: a. termination of employees' services earlier than expected, for example as a result of discontinuing an activity; and b. termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Custodian** - A financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. The custodian will keep a register of holdings and will collect income and distribute monies according to client instructions.

**Death Grant** - A lump sum paid by the Fund to the dependents or nominated representatives of a member who dies

**Deferred Member/Pensioner** - A scheme member who has left employment or otherwise ceased to be an active member of the scheme who retains an entitlement to a pension from the Fund.

**Defined Benefit Scheme** - A pension scheme like the LGPS where the benefits that will ultimately be paid to the employee are fixed in advance and not impacted by investment returns. It is the responsibility of the sponsoring organisation (Administering Authority for LGPS) to ensure that sufficient assets are set aside to meet the future pension promise.

**Designating Body** - Organisations that can designate employees for access to the LGPS. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, among others, can be designated for membership of the scheme.

**Discretion** - The power given by the LGPS to enable a participating employer or Administering Authority to choose how they will apply the scheme in respect of several its provisions. For some of these discretions it is mandatory to pass resolutions to form a policy as to how the provision will apply. For the remaining discretionary provisions, a policy is advised.

**Employer Contribution Rates** - The percentage of an employee's salary participating employers pay as a contribution towards that employee's pension. For the LGPS these rates are set for the next 3 years at the triennial valuation.

**Employer Covenant** - The covenant is an employer's legal obligation and financial ability to support their defined benefit (DB) obligation now and in the future

**Equities** - Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**ESG** - Environmental, Social and Governance factors which may be considered alongside financial ones in the investment decision-making process.

**Expected rate of return on pensions assets** - for a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fiduciary Duty** - Fiduciary duties exist to ensure that those who manage other people's money act in beneficiaries' interests rather than their own.

**Final Salary Scheme** - A defined benefit pension scheme with benefits based on earnings and membership. Pension is based on a proportion of final salary.

**Financial Instruments** - Tradable financial assets any kind, for example cash, loans, evidence of an ownership interest in an entity or a contractual right to receive or deliver cash or another financial instrument.

**Fixed Interest Securities** - Investments, mainly in Government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date that can be traded on a recognised stock exchange in the meantime.

**Fund Managers** - carry out day-to-day investment decisions for the Fund within the terms of their Investment Management Agreement.

**Guaranteed Minimum Pension (GMP)** - The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

**Index** - A calculation of the average price of shares, bonds or other assets in a specified market to provide an indication of the average performance and general trends in the market.

**Interest cost (pensions)** - for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Internal Rates of Return (IRR)** – a standard financial calculation used to assess the profitability of potential investments. Generally, the higher an IRR, the more desirable an investment is to undertake

**Investment adviser** - a professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals.

**LCIV or London CIV** – London Collective Investment Vehicle. The local pool set up to allow LGPS funds administered by London boroughs to achieve savings by pooling investments and thereby accessing reduced scale fees.

**Local Government Pension Scheme (LGPS)** - The national workplace pension scheme offered to local government staff and administered locally. LGPS is a Defined Benefit (DB) pension scheme.

**Local Government Pensions Board (LPB)** - created under the Public Service Pensions Act 2013 to assist the scheme manager in the administration of the LGPS in line with regulations and guidance. The Board has equal numbers of employer and employee members representatives.

**Mandate** - a set of instructions given to the Fund Manager by the client as to how a fund is to be managed (e.g. targets for performance or the Manager may be prohibited from investing in certain stocks or sectors).

**Outperformance / underperformance** - the difference in returns gained by a particular fund against the 'average' fund or an index or benchmark over a specified time period.

**Past service cost (pensions)** - for a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Pensions Regulator** - The Pensions Regulator (tPR) is the UK regulator of workplace pension schemes. TPR ensures employers put their staff into a pension scheme and pay money into it. TPR also makes sure that workplace pension schemes are run properly so that people can save safely for their later years.

**Pooled Funds** - Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are valued at regular intervals.

**Performance** - a measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the benchmark.

**Portfolio** - term used to describe a group of investments.

**Projected unit method** - an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: a. the benefits for pensions and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and b. the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Institute and Faculty of Actuaries.

**Related Party Transactions** – a transaction between parties where there is an element of influence or control by one over the other(s). For example, transactions between a Council and the Pension Fund that it administers.

**Responsible Investment (RI)** - Responsible investment involves incorporating environmental, social and governance (ESG) considerations into investment decision-making while

practising active ownership. RI can help deliver sustainable, long-term returns for investors.

**Return** - The total gain from holding an investment over a given period, including income and increase or decrease in market value.

**Scheduled Body** - An organisation that has the right to become a member of the LGPS written in a schedule to the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

**Scheme liabilities** - the statutory pension benefits accrued by scheme members over the course of their LGPS membership.

**Securities** - investment in company shares, fixed interest or index linked stocks.

**State Pension Age (SPA)** - The earliest age at which State Pension can be paid. Under the current law, the State Pension age is due to increase to 68.

**Stock Lending** - This is loaning a stock, derivative or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower and title is returned at the end of the loan period.

**TCFD** - The Taskforce on Climate Related Financial Disclosures was set up to develop voluntary, consistent, climate related financial risk disclosures to guide companies in providing information to investors, lenders, insurers and other stakeholders.

**The Pension Advisory Service (TPAS)** - gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangement. TPAS is an executive non-departmental public body, sponsored by the Department for Work and Pensions.

**Transfer Value** - a cash sum representing the value of a member's pension rights which transfers with the member to their new LGPS qualifying employment.

**Transferred Service** - Any pension that members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership

**UK Stewardship Code** - A code published by the FRC to enhance the quality of engagement between asset managers and companies in the UK. Its principal aim is to make asset managers more active and engaged in corporate governance matters in the interests of their beneficiaries.

**Unrealised gains/losses** - The increase or decrease in the market value of investments held by the fund since the date of their purchase. This is likely to change at every valuation and is only crystallised into a realised gain or loss when the investment is sold or redeemed.

## 10. Appendix 1 - National Fraud Initiative reports

| NFI 2022             |                                                                                                                                                                                                           |                         |                                                             |                     |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------|---------------------|
| Report Number        | Name of Report - Categories Matched                                                                                                                                                                       | Number of Cases Matched | Pension Suspended or Abated as a Result of NFI Notification | Identified as Fraud |
| Report 52            | Richmond and Wandsworth Pensioners<br>Totals                                                                                                                                                              | 266                     | 11                                                          | 0                   |
| <b>Report Number</b> | <b>Name of Report - Categories Matched</b>                                                                                                                                                                |                         |                                                             |                     |
| Report 52            | Richmond and Wandsworth Pensioners recorded with DWP as Deceased                                                                                                                                          |                         |                                                             |                     |
| <b>Comments</b>      |                                                                                                                                                                                                           |                         |                                                             |                     |
| Report 52            | 255 of these cases had already been notified to the Pensions Shared Service by next of kin or the deceased's Bank - the remaining 11 cases were immediately suspended until contact from the next of kin. |                         |                                                             |                     |
| Report 54, 55 & 56   | These are no longer relevant as Wandsworth Pension Fund's policy regarding abatement of pensions is not to abate following reemployment.                                                                  |                         |                                                             |                     |

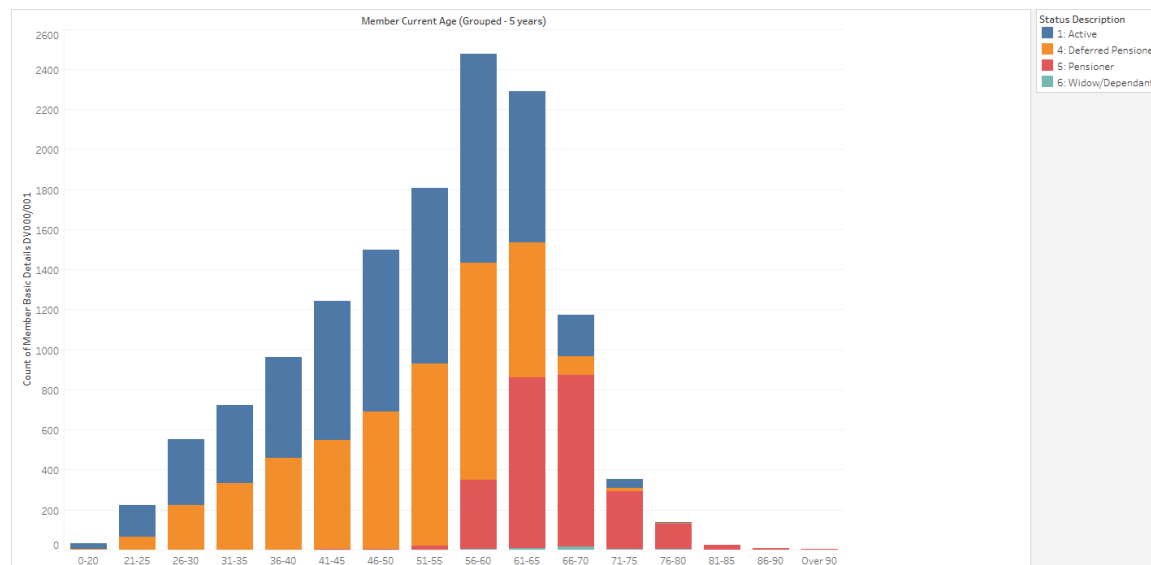
**NFI 2024**

| <b>Report Number</b> | <b>Name of Report - Categories Matched</b>                                                                                                                                                              | <b>Number of Cases Matched</b> | <b>Pension Suspended or Abated as a Result of NFI Notification</b> | <b>Identified as Fraud</b> |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------|----------------------------|
| Report 52            | Richmond and Wandsworth Pensioners Totals                                                                                                                                                               | 96                             | 1                                                                  | 0                          |
|                      |                                                                                                                                                                                                         |                                |                                                                    |                            |
| <b>Report Number</b> | <b>Name of Report - Categories Matched</b>                                                                                                                                                              |                                |                                                                    |                            |
| Report 52            | Richmond and Wandsworth Pensioners recorded with DWP as Deceased                                                                                                                                        |                                |                                                                    |                            |
| <b>Comments</b>      |                                                                                                                                                                                                         |                                |                                                                    |                            |
| Report 52            | 95 of these cases had already been notified to the Pensions Shared Service by next of kin or the deceased's Bank - the remaining 1 cases were immediately suspended until contact from the next of kin. |                                |                                                                    |                            |
| Report 54, 55 & 56   | These are no longer relevant as Wandsworth Pension Fund's policy regarding abatement of pensions is not to abate following reemployment.                                                                |                                |                                                                    |                            |

### 11. Appendix 2 – Administration Key Performance Indicators

| Time taken to process casework                                                                         |                                                   |                        |                                        |                              |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------------|----------------------------------------|------------------------------|
| Casework KPI                                                                                           | Scheme Advisory Board (SAB) Suggested fund target | Wandsworth Fund Target | % completed within fund target in year | % completed in previous year |
| Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member | 5 days                                            | 5 days                 | 98.07%                                 | 100.00%                      |
| Communication issued confirming the amount of dependents pension                                       | 10 days                                           | 10 days                | 97.70%                                 | Not measured                 |
| Communication issued to deferred member with pension and lump sum options (quotation)                  | 15 days                                           | 15 days                | 99.61%                                 | 99.50%                       |
| Communication issued to active member with pension and lump sum options (quotation)                    | 15 days                                           | 15 days                | 99.52%                                 | 99.08%                       |
| Communication issued to deferred member with confirmation of pension and lump sum options (actual)     | 15 days                                           | 15 days                | 100.00%                                | 100.00%                      |
| Communication issued to active member with confirmation of pension and lump sum options (actual)       | 15 days                                           | 5 days                 | 100.00%                                | 99.67%                       |
| Payment of lump sum (actives)                                                                          | 15 days                                           | 15 days                | 100.00%                                | 100.00%                      |
| Payment of lump sum (deferreds)                                                                        | 15 days                                           | 15 days                | 99.81%                                 | 100.00%                      |
| Communication issued with deferred benefit options                                                     | 30 Days                                           | 30 Days                | 99.75%                                 | 100.00%                      |
| Communication issued to scheme member with completion of transfer in                                   | 15 days                                           | 15 days                | 97.94%                                 | Not measured                 |
| Communication issued to scheme member with completion of transfer out                                  | 15 days                                           | 15 days                | 94.08%                                 | Not measured                 |
| Payment of refund                                                                                      | 10 days                                           | 10 days                | 99.77%                                 | 100.00%                      |
| Divorce quotation                                                                                      | 45 days                                           | 45 days                | 100.00%                                | 100.00%                      |
| Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order   | 15 days                                           | 15 days                | 100.00%                                | 100.00%                      |
| Communication issued to new starters                                                                   | 40 days                                           | 40 days                | 99.93%                                 | 100.00%                      |

| Communications and engagement                                                     |                           |
|-----------------------------------------------------------------------------------|---------------------------|
| Engagement with online portals                                                    | Percentage as at 31 March |
| % of active members registered                                                    | 52%                       |
| % of deferred member registered                                                   | 34%                       |
| % of pensioner and survivor members                                               | 22%                       |
| % total of all scheme members registered for self-service                         | 35%                       |
| Number of registered users by age                                                 | see table opposite        |
| % of all registered users that have logged onto the service in the last 12 months | 37.35%                    |



| Communication                                                               |        |
|-----------------------------------------------------------------------------|--------|
| Total number of telephone calls received in year                            | 5,562  |
| Total number of email and online channel queries received                   | 16,076 |
| Number of scheme member events held in year (total of in-person and online) | 10     |
| Number of employer engagement events held in year (in-person and online)    | 4      |
| Number of times a communication (i.e newsletter) issued to:                 |        |
| a) Active members                                                           | 1      |
| b) Deferred members                                                         | 1      |
| c) Pensioners                                                               | 1      |

| Resources                                                                                            |            |
|------------------------------------------------------------------------------------------------------|------------|
| Total number of all administration staff (FTE)                                                       | 39         |
| Average service length of all administration staff                                                   | 6.24 years |
| Staff vacancy rate as %                                                                              | 2.56%      |
| Ratio of all administration staff to total number of scheme members (all staff including management) | 1:2815     |

| Data Quality                                                                                                                                  |                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Percentage of annual benefit statements issued as at 31 August                                                                                | 100%                                                                                  |
| <b>Data category</b>                                                                                                                          |                                                                                       |
| Common data score                                                                                                                             | 95.00                                                                                 |
| Scheme specific data score                                                                                                                    | 97.30%                                                                                |
| Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date | Actives 0.46%<br>Deferreds 14.67%<br>Pensioners 1.62%<br>Survivor Pensioners 2.64%    |
| Percentage of active, deferred and pensioner members with an email address held on file                                                       | Actives 73.05%<br>Deferreds 46.12%<br>Pensioners 44.83%<br>Survivor Pensioners 14.90% |

| Employer performance                                                                 |                                                                     |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Percentage of employers set up to make monthly data submissions                      | 100%                                                                |
| Percentage of employers who submitted monthly data on time during the reporting year | 50% (12 months on time)<br>28.89% with less than 3 late submissions |

| Ref | Casework KPI                                                         | Total number of cases open as at 31 March (starting position) | Total number of new cases created in the year (1 April to 30 March) | Total number of cases completed in year | Total % of Cases Completed in year | Total number of cases completed in previous year | Total % of Cases Completed in previous year |
|-----|----------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------|------------------------------------|--------------------------------------------------|---------------------------------------------|
| A1  | Deaths recorded of active, deferred, pensioner and dependent members | 218                                                           | 356                                                                 | 325                                     | 56.62%                             | 420                                              | 65.83%                                      |
| A2  | New dependent member benefits                                        | 0                                                             | 80                                                                  | 76                                      | 95.00%                             | Not measured                                     |                                             |
| A3  | Deferred member retirements                                          | 69                                                            | 357                                                                 | 421                                     | 98.83%                             | 409                                              | 85.56%                                      |
| A4  | Active member retirements                                            | 34                                                            | 195                                                                 | 223                                     | 97.38%                             | 225                                              | 86.87%                                      |
| A5  | Deferred benefits                                                    | 138                                                           | 642                                                                 | 620                                     | 79.49%                             | 603                                              | 81.38%                                      |
| A6  | Transfers in (including interfunds in, club transfers)               | 26                                                            | 116                                                                 | 60                                      | 42.25%                             | 57                                               | 68.67%                                      |
| A7  | Transfers out (including interfunds out, club transfers)             | 31                                                            | 370                                                                 | 349                                     | 87.03%                             | 416                                              | 93.06%                                      |
| A8  | Refunds                                                              | 3                                                             | 383                                                                 | 385                                     | 99.74%                             | 347                                              | 99.14%                                      |
| A9  | Divorce quotations issued                                            | 1                                                             | 45                                                                  | 40                                      | 86.96%                             | 61                                               | 98.39%                                      |
| A10 | Actual divorce cases                                                 | 0                                                             | 3                                                                   | 2                                       | 66.67%                             | 3                                                | 100%                                        |
| A11 | Member estimates requested either by scheme member and employer      | 138                                                           | 967                                                                 | 1,068                                   | 96.65%                             | 987                                              | 87.73%                                      |
| A12 | New joiner notifications                                             | 3                                                             | 2,058                                                               | 2,060                                   | 99.95%                             | 2,237                                            | 99.87%                                      |
| A13 | Aggregation cases                                                    | 9                                                             | 2                                                                   | 2                                       | 18.18%                             | 47                                               | 83.93%                                      |
| A14 | Optants out received after 3 months membership                       | 31                                                            | 217                                                                 | 247                                     | 99.60%                             | 265                                              | 89.53%                                      |