Waltham Forest Council

Pension Fund Annual Report 2017/18

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Waltham Forest

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND

PENSION FUND ANNUAL REPORT 2017/18

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INTRODUCTION

This Annual Report covers the management and performance of the London Borough of Waltham Forest Pension Fund (the Fund) for the financial year 2017/18.

The first part of this Annual Report deals with the investment management structure of the Pension Fund and the fund managers appointed by the Pension Fund to manage the various portfolios. Investment performance for the year is analysed in context of economic conditions prevailing at the time. A report is also provided on the performance of the benefits administration service provided over the year.

The second part of the report is concerned with the governance arrangements put in place for the oversight of the Pension Fund and its management, including the approach taken on ethical investment issues.

Investment Review

Market Background

The financial year 1 April 2017 to 31 March 2018 saw yet further gains in Listed Equity Markets across the world with the “equity bull market” (an upward trending market) completing over nine years of overall positive return. This is exemplified by the major United States Index the S&P 500 which closed (for Easter) at 2,641 on Thursday 29 March 2017 compared to a low of 666 touched on Friday 6 March 2009 the lowest level the US stock market hit following the crisis that centred on the 2008 fall of Lehman Brothers.

April to December 2017 was very positive for Listed Equity markets worldwide supported by good corporate earnings, healthy economic indicators and loose monetary policy by the major Central Banks. While January 2018 was again positive February and March were difficult with markets negatively affected first by concerns about rising inflation in the United States (related specifically to possible faster than expected wage growth) and then tensions over trade as the US imposed tariffs on China. Overall 2017-18 was clearly positive for Listed Equities worldwide, with, for example the S&P 500 up 12% over the whole period. 2017-18 was also notable for signs that the major Central Banks, and particularly the United States Federal Reserve, are gradually moving away from the ultra loose monetary policies of recent years. Overall however monetary policy remains extremely loose by historical standards.

The United States experienced another year of generally positive economic activity including clearly positive corporate results/earnings. Unemployment fell from 4.5% in March 2017 to 4.1% by March 2018 its lowest level since January 2001. Consumer sentiment (as measured by the authoritative University of Michigan Surveys of Consumers) was by March 2018 at its highest level since 2004. In December 2017, the Tax Cuts and Jobs Act 2017, the most radical overall of the US Tax Code since 1986 was signed into law. This Act included large corporate tax cuts. The extent to which these will result in additional capital investment rather than increased share buy backs will, however, only become clear with the passage of time.

The United States Federal Reserve, the world's most important Central Bank initiated a significant change of direction in monetary policy at its September 2017 meeting by voting to no longer reinvest all principal payments from its bond and debt holdings. This was a fundamental decision as in contrast to approaching ten years of huge expansion the Balance Sheet of the Federal Reserve will now in the words of its then Chair Janet Yellon (at a press conference on 20 September 2017) *"decline gradually and predictably"*
In addition, *"In view of realized and expected labour market conditions and inflation"* the Federal Open markets Committee, raised interest rates by 0.25% at its June and December 2017 and March 2018 meetings compared to twice in 2016-17. Notwithstanding this clear "tightening" of monetary policy by the US Federal Reserve its monetary stance remains "loose" in historic terms.

Supported by positive corporate earnings and generally positive economic data as well as accommodative monetary policy from the European Central Bank (ECB) 2017-18 was, overall, a moderately positive year for Eurozone Listed Equities. The Eurozone continued its economic recovery. At a press conference on 8 March 2018 Mario Draghi the President of the ECB stated *"incoming information……confirms the strong and broad-based growth momentum in the euro area economy…*." The Eurozone seasonally-adjusted unemployment which had been 9.4% in March 2017 fell to 8.5% in March 2018 its lowest level since December 2008. However, headline inflation at 1.3% in March 2018 (compared to 1.5% a year earlier) was clearly below the ECB target which aims at inflation rates of below, but close to, 2% over the medium term. This combination of positive economic indicators but weak inflation helps explain the ECBs very tentative approach to tightening monetary policy.

The ECB Governing Council slightly tightened Monetary Policy. Interest rates remained unchanged throughout 2017-18 with the Press Release issued after the March 2018 meeting stating *"the Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time….."* Net asset purchases continued but at the October 2017 meeting it was determined to reduce these to 30 billion Euros a month from January 2018 *"until the end of September 2018, or beyond, if necessary"* however principal payments will continue to be reinvested *"for an extended period of time after the end of its net asset purchases."*

In contrast to the significant gains in 2016-17 (facilitated by a weaker £ following the EU Referendum of June 2016 and subsequent loosening of Monetary Policy by the Bank of England) both the FTSE 100 and FTSE All Share indices declined slightly over 2017-18. Uncertainty over the economic outlook together with the limited progress of the "Brexit" negotiations exasperated by divisions within the UK Government (which also lost its overall majority at the June 2017 General Election) were not supportive of UK Listed Equities during 2017-18.

The Bank of England's Monetary Policy Summary of March 2018 stated *"Developments regarding the United Kingdom's withdrawal from the European Union – and in particular the reaction of households, businesses and asset prices to them – remain the most significant influence on, and source of uncertainty about, the economic outlook."* Notwithstanding such uncertainty unemployment during 2017-18 fell from 4.6% to 4.1% its lowest in over 40 years while inflation (as measured by the CPI index) remained clearly above the Bank of England's target of 2% throughout the year. Inflation which had been

2.3% in March 2017 was 3.0% by September 2017. Consequently, at its meeting ending on 1 November 2017 the Bank of England Monetary Policy Committee (MPC) voted 7 to 2 to increase Bank Rate by 0.25% to 0.5% stating in their minutes *"a majority of members judged that a small reduction in stimulus was therefore warranted at this meeting to return inflation sustainably to the target. Monetary policy would continue to provide significant support to jobs and activity in the current exceptional circumstances."* By March 2018 inflation was 2.5%.

Clearly positive corporate earnings supported Japanese Equity markets during 2017-18. The Bank of Japan's "Tankan" survey of large manufacturers sentiment was very positive throughout the period. Equity markets also responded positively to the decisive election victory of Prime Minister Shinzo Abe in October 2017. The Nikkei 225 index increased by 13% over the year following its 15% increase the previous year.

Despite positive economic activity, very low unemployment – 2.5% at March 2018 and huge monetary stimulus in the form of asset purchases from the Bank of Japan, inflation in March 2018 was only 0.9% compared with the Bank of Japan's target of 2%. The reappointment of Haruhiko Kuroda for a second term as Governor of the Bank of Japan should, however, ensure a continuation of supportive monetary policy to seek to achieve target inflation.

Chinese, Asian (excluding Japan) and Emerging Market Listed Equities overall enjoyed a positive 2017-18 assisted by generally supportive corporate/ economic data.

Benchmark Government Bonds remained at historically low yields. The major Central Banks maintained an overall loose monetary policy approach but indications of a gradual "tightening" of policy by the US, UK and European Central Banks exerted an upward pressure on yields. The 10 year German Bund yield rose from 0.33% to 0.43%, the UK 10 year Gilt yield from 1.14% to 1.39%, and the 10 year US Treasury yield from 2.39% to 2.75% during the financial year.

John Raisin Financial Services Limited
Independent Advisor
24 May 2018

Fund Investment Strategy

During the year the fund made the following decisions in relation to its investment strategy:

Following the Committees decision to reduce its UK equity allocation last year, this decision was further developed with a decision to split the 60% Equity allocation between global equities to 60% and 40% to UK equities.

It was also decided to divest form the Pension Funds current global equity manager and invest this global equity allocation along with the overweight to UK equities between three sub funds in the London CIV. This transition is expected to take place in the first half of 2018.

The fund also continued with education and investigation on how it could benefit from hedging strategies including currency, equity and interest rates.

Please see Table 1 below which shows the risk return impact of the Funds strategy's since 2012/13:-

Table 1

Three year Annualised figures as at end						
	March 13	**March 14**	**March 15**	**March 16**	**March 17**	**March 2018**
Absolute Risk & Return						
Fund Absolute Return	8.8	9.1	11.9	6.5	7.2	4.3
Fund Absolute Risk	10.9	9.7	7.0	7.7	6.9	6.7
Benchmark Relative						
Return	0.8	1.3	2.0	0.4	-2.0	-2.9
Risk	2.8	2.7	2.5	3.6	4.4	4.2
Information Ratio	0.3	0.5	0.8	0.1	-0.5	-0.7

Figures provided by the State Street

Table 2 below shows the current and strategic benchmarks.

Table 2

Manager	**Benchmark Weightings Current (%)**	**Strategic Benchmark Weightings (%)**
Equities	64.5	60
Global Fixed Income	11.3	15
Property	9.3	8
Alternatives	10.9	17
Cash	4.0	0.0
	100.00	100.00

A summary of the resulting distribution of fund assets as at 31 March 2018 and March 2017 is shown in Table 3 below. It should be noted that one UK property investment ("RREEF Limited"), one European property investment (DTZ – Aurora property Fund) along with the hedge fund investment (BlueCrest – AllBlue Fund) are in the process of being liquidated. The property portfolio's

take longer to unwinding and should be fully dis-invested by the end of 2019. The hedge fund AllBlue should be fully redeemed by the end of 2018.

Table 3 - Summary of Fund Investment Assets as at 31 March 2018 and 2017

Manager	Asset Class	Market Value 31.3.18 £000 millions	Total Fund 31.3.2018 (%)	Market Value 31.3.2017 £000 millions	Total Fund 31.3.2017 (%)
AXA Framlington	UK Equities	312.7	35.6	303.7	37.6
JO Hambro	Global Equities	253.7	28.9	235.6	29.2
Wellington Management	Global Fixed Income	38.6	4.4	38.6	4.8
Wellington Management	Multi Sector Credit	60.7	6.9	58.1	7.2
BlueCrest	Hedge Fund	0.3	0.1	0.6	0.1
Global Infrastructure Partners	Infrastructure	40.4	4.6	37.8	4.7
Capital Dynamics	Infrastructure	44.3	5.1	41.9	5.2
DTZ	European Property	1.1	0.2	2.8	0.4
UBS	UK Property	27.2	3.1	25.4	3.2
RREEF	UK Property	0.1	0.0	0.6	0.1
Darwin	UK Property	31.9	3.6	29.2	3.6
Invesco	UK Property	20.9	2.4	20.9	2.6
Markham Rae	Hedge Fund	6.7	0.8	8.3	1.0
Impact Ventures UK	Social Impact	2.5	0.3	2.2	0.2
London CIV	London Pooling Ptners	0.2	0.0	0.2	0.0
Cash		36.2	4.0	0.9	0.1
TOTAL		**877.5**	**100**	**806.8**	**100**

Table 3 reflects the movement between asset classes throughout 2017/18. The change in asset allocation over the year reflects the relative performance between the different asset classes and the managers' own relative performance against their own specific benchmarks and the draw downs of commitments to Infrastructure and Social Impact funds in the year. £2.3m was returned to the fund from DTZ Aurora Property Fund and £0.3m from BlueCrest. These investments are still in wind down with the funds due to close during 2018 and 2019. Between the two infrastructure managers £7.3m was drawn down and £1.1m returned to the fund. This left an undrawn commitment of £20.9m mainly due to GIPIII fund. £0.62m was drawn down into the Impact Venture UK fund leaving and undrawn commitment of £2.5M. Drawdowns were funded through income or capital returned.

Pension Fund Accounts 2017/18

The 2017/18 Accounts are attached as Appendix 1. The Accounts show that overall there was a net increase in the assets of fund of £35.3m from £807.1m at 31 March 2017, to £842.4m at 31 March 2018.

From dealings with members, employers and others directly involved in the scheme, there was a net increase of £7.5m this was mainly the effect of a 674% increase in transfers into of the fund and increase of 93% in transfers out, an increase of 15% in contributions into the fund.

Taking investment income net of management expenses, plus the additions to the Fund from dealings with members provided £9.7m more funds for investment. The net increase in the value of the fund investments, (realised and unrealised), was £35.4m. The investment performance for the year is set out in the next section.

Pension Fund Performance 2017/18

Fund Returns 2017/18

Table 1 below sets out the quarter by quarter results for the Fund in 2017/18. Over the year as a whole the Fund return was 3.8%, against the benchmark return of 3.9%, the Fund showed relative under performance of -0.2%.

Table 1 – Quarterly Fund Returns 2017/18

LBWF 2017/18	Q2 April-June 2017	Q3 July-September 2017	Q4 October-December 2017	Q1 January-March 2018	Total Annual Performance 2017/18
	%	%	%	%	%
Fund Return	0.2	2.1	3.5	-2.1	3.8
Benchmark Return	1.3	1.9	3.7	-3.0	3.9
Relative Return	-1.1	0.2	-0.2	1.0	-0.2

All figures WM Performance Services

Table 2 provides a breakdown of the results for the fund managers for the last two years.

Table 2 – Fund Manager Returns vs Benchmark 2016/17 and 2017/18

Manager	Asset Class	Portfolio Return 2016/17 %	Benchmark Return 2016/17 %	Relative Return 2016/17 %	Portfolio Return 2017/18 %	Benchmark return 2017/18 %	Relative Return 2017/18 %
AXA Framlington	UK Equities	9.8	22.0	-10.0	2.9	1.2	1.7
JO Hambro CM	Global Equities	27.6	33.0	-4.1	7.1	3.0	4.0
Wellington	Global Fixed Income	-0.8	4.1	-4.6	0.5	3.9	-3.3
Wellington	Multi Sector Credit	11.3	10.5	0.7	4.0	2.3	1.7
DTZ	European Property (Aurora Fund)	-6.2	3.8	-9.7	0.2	11.3	-9.9

UBS	UK Property (Triton Fund)	3.5	3.8	-0.3	8.3	11.3	-2.7
Darwin	UK Property (DLPF)	13.1	8.0	4.7	9.3	8.0	1.2
Invesco **	UK Property (PRS)	0.0	0.0	0.0	-3.5	11.3	-13.2
Markham Rae	Hedge Fund	5.0	10.0	-4.5	-19.1	10.0	-26.4
BlueCrest	Hedge Fund (AllBlue)	16.6	10.0	6.6	3.1	10.0	-6.2
Capital Dynamics *	Infrastructure (CEI)	16.9	15.0	1.6	5.5	15.0	-8.3
GIP II *	Infrastructure	25.1	15.0	8.7	-1.9	15.0	-14.7
IVUK *	Social Impact	-12.7	7.0	-18.5	-10.7	7.0	-16.5

All figures WM Performance Services
* Due to the nature of these asset longer draw down and investment period. The true returns will only be reflected later on in the investment life.
** Investment only drawn down during the year and no returns available

Investment Performance

April 2017 to March 2018

The Fund returned 3.8% over the year against a benchmark return of 3.9% with relative return of -0.2%. The overall negative return against benchmark for the year was principally due to under performance of Alternative and property.

Results from the Pirc Local Authority Universe showed that the average local authority returned 4.5% in 2017/18. Against the universe the LBWF fund (3.8%) was ranked 55th out of 61 funds. Our equity portfolio (combined UK and Global) ranked 28th, property portfolio's ranked 76th, bonds ranked 24th and alternatives 82nd.

The Strategic performance target of the fund to recover its deficit is CPI + 2.2% (5.2%) set buy the Funding Strategy following the 2016 triennial valuation. Therefore at this present time the fund is on target to meet this overall strategic aim, given the funds return of 3.8% for 2017/18 and 13.9% for 2016/17.

LB Waltham Forest Pension Fund returns vs Local Authority Universe

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Fund Return %	**11.7**	**24.4**	**7.0**	**-5.7**	**-24.1**	**43.1**	**10.4**	**4.3**	11.8	11.4	12.5	-3.6	13.9	3.8
Ranking in Local Authority Universe	**36**	**60**	**50**	**85**	**85**	**6**	**3**	24	86	3	63	98	98	55

Figures provided by Pirc Local Authority Pension Performance analytics

Longer Term Performance
(fund returns against the fund benchmark and local authority universe)

Over 3, 5 and 10 years

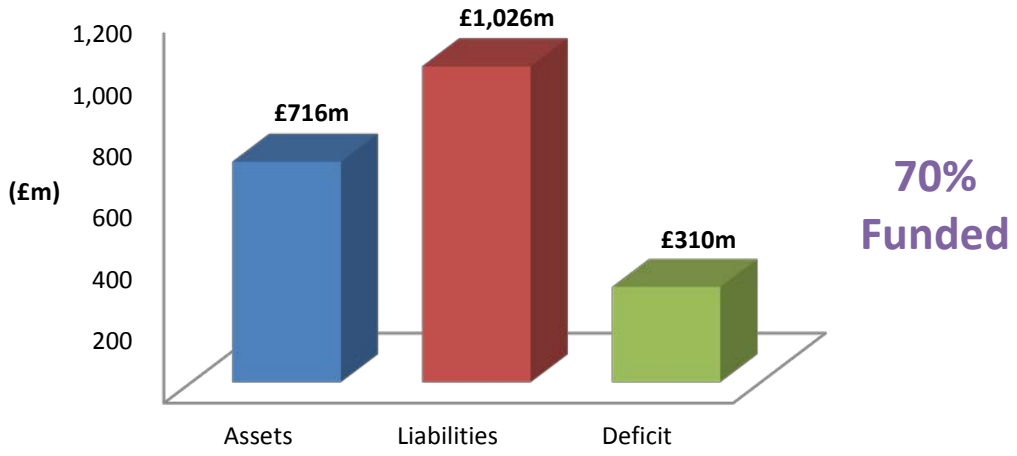
	3 years %	5 years %	10 years %	20 years	30 years
Fund	4.5	7.4	7.2	6.0	8.6
Fund Benchmark	7.4	7.9	7.3	n/a	n/a
Relative return	-2.9	-0.6	-0.1	-	-
LA Universe	8.3	8.8	7.7	6.5	8.9
Relative return	-3.8	-1.4	-0.4	-0.5	-0.3
Ranking	98	88	69	65	58

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Waltham Forest Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £716 million represented 70% of the Fund's past service liabilities of £1,026 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £310 million.



The valuation also showed that a Primary contribution rate of 15.0% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 20 years, and the total initial recovery payment (the "Secondary rate") for 2018/19 is approximately £13.2 million per annum (which also includes allowance for some employers to phase in any increases and to prepay contributions).

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (including ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017	31 March 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.3% per annum	2.1% per annum
Rate of pay increases*	3.8% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected rate of long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors combined served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £1,465 million. Interest over the year increased the liabilities by c£37 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£12 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £51 million due to "actuarial gains" (i.e the effects the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £1,463 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

Administration and Benefits

The Council's pension benefits administrator is the Pension Shared Service (hosted by the London Borough of Wandsworth) this is a shared service partnership between four London Boroughs, Wandsworth (Richmond is now merged with Wandsworth), Camden, Merton and Waltham Forest.

Administration Service Performance Statistics for 2017/18

Period April to June	Charter Standard		Total	April To June 17/18	Target
Area of Work	**NO**	**YES**		**%**	%
New Scheme Member	6	533	539	98.89	95.00
Transfers In	8	38	46	82.61	95.00
Early Leavers	1	111	112	99.11	95.00
Redundancy	1	4	5	80.00	95.00
Transfers Out	16	22	38	57.89	95.00
Refunds		34	34	100.00	98.00
Pension Sharing on Divorce		3	3	100.00	98.00
Correspondence		59	59	100.00	98.00
Retirements	4	332	336	98.81	98.00
Deaths	7	62	69	89.86	98.00
Total	**43**	**1198**	**1241**	**96.54**	**96.70**

Period July to September	Charter Standard		Total	July to Sept 17/18	Target
Area of Work	**NO**	**YES**		**%**	%
New Scheme Member	3	352	355	99.15	95.00
Transfers In	16	69	85	81.18	95.00
Early Leavers	2	91	93	97.85	95.00
Redundancy		3	3	100.00	95.00
Transfers Out	17	32	49	65.31	95.00
Refunds		26	26	100.00	98.00
Pension Sharing on Divorce		1	1	100.00	98.00
Correspondence		55	55	100.00	98.00
Retirements	13	305	318	95.91	98.00
Deaths	2	61	63	96.83	98.00
Total	**53**	**995**	**1048**	**94.94**	**96.70**

Period October to December	Charter Standard		Total	Oct to Dec 17/18	Target
Area of Work	**NO**	**YES**		**%**	%
New Scheme Member	2	443	445	99.55	95.00
Transfers In	16	78	94	82.98	95.00
Early Leavers	1	61	62	98.39	95.00
Redundancy		8	8	100.00	95.00
Transfers Out	24	37	61	60.66	95.00
Refunds		25	25	100.00	98.00
Pension Sharing on Divorce		3	3	100.00	98.00
Correspondence	1	29	30	96.67	98.00
Retirements	42	237	279	84.95	98.00
Deaths	17	66	83	79.52	98.00
Total	**103**	**987**	**1090**	**90.55**	**96.70**

Period January to March	Charter Standard		Total	January to March 17/18	Target
Area of Work	**NO**	**YES**		**%**	%
New Scheme Member		193	193	100.00	95.00
Transfers In	22	68	90	75.56	95.00
Early Leavers	1	86	87	98.85	95.00
Redundancy		8	8	100.00	95.00
Transfers Out	15	38	53	71.70	95.00
Refunds		114	114	100.00	98.00
Pension Sharing on Divorce		3	3	100.00	98.00
Correspondence	1	23	24	95.83	98.00
Retirements	30	307	337	91.10	98.00
Deaths	11	102	113	90.27	98.00
Total	**80**	**942**	**1022**	**92.17**	**96.70**

Period April to March	Charter Standard		Total	April to March 17/18	Target
Area of Work	**NO**	**YES**		**%**	%
New Scheme Member	11	1521	1532	99.28	95.00
Transfers In	62	253	315	80.32	95.00
Early Leavers	5	349	354	98.59	95.00
Redundancy	1	23	24	95.83	95.00
Transfers Out	72	129	201	64.18	95.00
Refunds	0	199	199	100.00	98.00
Pension Sharing on Divorce	0	10	10	100.00	98.00
Correspondence	2	166	168	98.81	98.00
Retirements	89	1181	1270	92.99	98.00
Deaths	37	291	328	88.72	98.00
Total	**279**	**4122**	**4401**	**93.66**	**96.70**

Benefits

All employees of the London Borough of Waltham Forest are eligible for membership of the LGPS. Full and part-time employees, whether permanent or temporary (Contract must be for 3 months or longer), become members automatically with the right to opt out (back-dated to the start of membership if made within two years).

From April 2014 a new LGPS scheme was introduced please see below summary of the main changes to the scheme:-

- A change from a pension based on final pay to one based on average pay throughout your career.
- A higher accrual rate of 1/49th per year of service rather than the 1/60th per year of service.
- Benefits are calculated on pensionable earnings each year rather than final salary.
- Benefits are held in a pension account and revalued each year in line with inflation.

Other important changes that have happened to the LGPS

The Scheme's normal pension age

Your LGPS pension is payable in full from your Normal Pension Age which is linked to your State Pension Age (but with a minimum of age 65). However, you can choose to retire and draw your pension from the LGPS at any time from age 55 to 75, provided you have met the 2 years vesting period in the scheme. If you choose to take your pension before your Normal Pension Age it will normally be reduced, as it's being paid earlier. If you take it later than your Normal Pension Age it's increased because it's

being paid later. You must draw your benefits in the LGPS before your 75th birthday.

Find out about SPA at www.gov.uk/calculate-state-pension.

Employees Contribution Bandings

Please see below the bandings that were applied for 2017-18 period.

Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £14,100	5.5%	2.75%
2	£14,101 to £22,000	5.8%	2.9%
3	£22,001 to £35,700	6.5%	3.25%
4	£35,701 to £45,200	6.8%	3.4%
5	£45,201 to £63,100	8.5%	4.25%
6	£63,101 to £89,400	9.9%	4.95%
7	£89,401 to £105,200	10.5%	5.25%
8	£105,201 to £157,800	11.4%	5.7%
9	£157,801 or more	12.5%	6.25%

Low Cost Option

A low cost option allows members to pay 50% contributions to build up 50% of benefits.

The 50/50 option is intended to allow members to continue to save for their retirement during periods of financial hardship. If a member choses to pay the lower contributions they would build up pension based on a 1/98th accrual rate but death and ill health benefits would not be affected should you need them.

Death Benefits

Death benefits are unchanged in the new scheme with spouse and partners' pensions based on an accrual rate of 1/160 and three times death in service benefit.

Additional Contributions

There are options to pay additional regular contributions (ARCs) to purchase additional pension or contribute to an in-house additional voluntary contribution (AVC) scheme.

Life Cover

Life cover in the scheme doesn't change from April 2014. If you die in service whilst an active member of the scheme the scheme will still provide a lump sum payment of three times your annual pensionable pay. The only difference from April 2014 is that pay from non-contractual overtime is included in your annual pensionable pay figure.

You can also continue to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. You may also wish to update or change your expression of wish form this can be done in the same way. Expression of wish forms are available from our pension fund administrator Pension Shared Service (contact details on page 17).

Survivors' Pensions

The scheme continues to provide cover for your family in the event of your death, with pensions for your dependants including spouses, civil partners, eligible cohabiting partners, and eligible children. This is an on-going pension for the rest of your spouse's, civil partner's or eligible cohabiting partner's life and is payable immediately after your death.

For your spouse or civil partner, the survivor's pension is 1/160th of your pensionable pay multiplied by the total membership you would have built up to your Normal Pension Age.

For your eligible cohabiting partner, the survivor's pension is calculated in the same way, although only your membership from 6 April 1988 is used in the calculation plus any of your membership before 6 April 1988 for which you have opted to pay additional contributions so that it counts towards a cohabiting partner's pension.

From April 2014, a survivor's pension will automatically be payable to an eligible cohabiting partner without the need for the scheme member to have completed a form nominating them to receive a survivor's pension.

Scheme rules and benefits pre 1st April 2014

All of the membership you build up in the Scheme before April 2014 will be used to calculate your benefits in the final salary scheme. Only the membership you build up from April 2014 onwards is calculated under the rules of the new career average scheme.

Membership accrual for service up to 31 March 2008, the pension is based on 1/80th of the member's final year's pensionable pay. For service after 1 April 2008 and to 31 March 2014, the pension is based on 1/60th of the member's final year's pensionable pay.

Further information can be obtained from **www.lgps2014.org** and www.mylgpspension.co.uk.

Pension's increases

If you are under age 55 your pension will be increased if you retired because of ill-health, or your deferred pension was brought into payment early because of ill-health and you are permanently incapacitated from engaging in any regular full-time employment. If you are under 55 and your pension is in payment for any other reason it will normally be paid at a flat rate until age 55. At 55 it will increase to the level it would have been, had it been increased every year since your date of leaving.

Unlike many pension schemes which limit increases, your LGPS pension increases in line with the cost of living. Although pensions are increased in April, they are based on the rise in the cost of living over the 12 months to the previous September.

The pensions increase in 2017 was 3.0% (2016: 1.0%).

Communications

Pre-retirement courses are held frequently during the year run by human resources. These courses provide members who are approaching retirement with useful information from State benefits to spare time activities.

Enquiries concerning the Local Government Pension Scheme with the London Borough of Waltham Forest or entitlement to benefits should be addressed to:

The Pension Shared Service

The Pensions Shared Service is responsible for the benefits administration of the Local Government Pension Scheme (LGPS) on behalf of the Council and any admitted or scheduled bodies whose employees are part of the LGPS.

Pensions Shared Service
PO Box 72351
London
SW18 9LQ

E-mail: pensions@wandsworth.gov.uk

Telephone: 020 8871 8036

www.wandsworth.gov.uk/pensions

http://www.lgpsmember.org/

GOVERNANCE REPORT

Pensions Fund Committee

The Pension Fund Committee as it is structured today was established in March 2009 by the Council.

The terms of reference for the Committee can be found at the following link http://democracy.walthamforest.gov.uk/mgCommitteeDetails.aspx?ID=495

During the 2017/18 Committee cycle we had one change to the Pension Fund Committee membership.

Members and Observers of the Committee for 2017-18 where

Chair:	Councillor Peter Barnett
Councillors:	Councillor Keith Rayner, Andy Hemsted, Karen Bellamy and Terry Wheeler
Observers:	Union (Unison) Representative David Knight Employer Representative Alan Leak
Officers and Advisor:	Independent Advisor John Raisin John Turnbull – Director of Finance, Debbie Drew – Pensions and Treasury Manager

The following table lists the voting and non-voting rights of each member, observer, officer, independent advisor and their attendance at each Committee meeting for 2017/18:-

Name	*Voting Rights*	*June 17*	*Sep 17*	*Nov 17*	*March 18*
Cllr Peter Barnett	*yes*	√	√	*X**	*X*
Cllr Keith Rayner	*yes*	√	√	√	√
Cllr Karen Bellamy	*yes*	√	√	√	*X**
Cllr Andy Hemsted	*yes*	√	*X**	*X*	*X*
Cllr Terry Wheeler	*yes*	√	*X*	√	√
John Turnbull	*no*	√	*X*	√	√
Debbie Drew	*no*	√	√	√	√
John Raisin (Independent Advisor)	*no*	√	√	√	√
Union Representative David Knight	*no*	√	√	√	√
Employer Representative Alan Leek	*no*	√	√	*X*	*X*

**member representatives were sent in replacement of the Committee members*

Other attendees at pension fund Committee meetings were as follows:-

June 17 – Joanne Holden the Funds Investment Consultant (Mercer) and David Cullinan (Pirc LA Performance Analytics).

September 17 – Cllr Geoffrey Walker (substitute for Cllr Andy Hemsted)

November 17 – Cllr Richard Sweden (substitute for Cllr Peter Barnett) and Joanne Holden the Funds Investment Consultant (Mercer)

March 18 – Cllr Saima Mahmud (substitute for Cllr Karen Bellamy) Joanne Holden the Funds Investment Consultant (Mercer) and Keven Cullen (Client Relations Director, London LGPS CIV).

Pension Board

The Public Service Pensions Act 2013 introduced a number of changes to the governance of the Local Government Pension Scheme (LGPS) including the requirement for each Fund to establish a local Pension Board from 1 April 2015. The detailed regulatory requirements relating to local Pension Boards in the LGPS are contained in the LGPS Regulations 2013 (as amended).

As a consequence of the legislative and regulatory requirements the Council at its meeting on 5 March 2015 approved the Terms of Reference for the local Pension Board for the London Borough of Waltham Forest LGPS Fund. The function of the Pension Board is not, under the Public Service Pensions Act 2013 and the LGPS Regulations, to be a decision making body . Rather, its role is to assist the Pension Fund Committee in securing compliance with the LGPS Regulations, other relevant legislation and with meting any other requirements placed on the Fund by the Pensions Regulator. The Pension Board also has the task of assisting the Pension Fund Committee in ensuring the efficient and effective administration of the Fund.

The Board must comprise of equal number of Employer and Employee representatives. The Waltham Forest Pension Board will comprise of at least two Employer and two Employee representatives who may not also be Councillors who are members of the Pension Fund Committee or Officers to that Committee. The Chair of the Pension Board may be one of the Employer or Employee representatives or alternatively, under the Terms of Reference approved by the Council, the Director of Finance may appoint a non-voting Independent Chair.

The terms of reference of the Pension Board can be found at the following link:-
http://democracy.walthamforest.gov.uk/mgCommitteeDetails.aspx?ID=717

During the year the Council appointed an independent Chair to the Pensions Board and a new member representative.

The Pension Board Annual Report for 2017/18 is attached in appendix 8.

Members of the Pension Board

Chris Buss Independent Chair
Stuart Petrie Employer Representative (interim Chair for July meeting)
Olu Akinfie Member Representative
Sandra Bennett Member Representative (Unison)
Annette House Employer Representative

Meetings held:
6 July 2017
30 November 2017

Governance Compliance Statement

The Council as administering authority to the Fund must publish a statement to demonstrate its compliance with good practice on governance issues. This is required under the LGPS Administration Regulations 2008 as amended. The statement must set out the degree of compliance with nine principles set out in a statutory guidance document issued by the Department of Communities and Local Government.

The final version of the Statutory Guidance on LGPS Governance Compliance Statements was issued by CLG in November 2008 and the Fund statement takes into account this version of the statutory guidance.

The statutory guidance accepts that there are many models for the administration and management of Local Government Pension Funds and seeks to set out best practice principles for their governance. As such they may be used by the Council to develop its policies for the management of the Fund in the immediate future, in particular where the statement shows the Fund is not fully compliant with the suggested best practice model.

The Governance Compliance Statement for the Fund is attached as Appendix 4.

Environmental, Social and Governance ('ESG') Policy

The Pension Fund Committee has recognised the need to consider the long term impact on the Fund of the approach taken by companies on governance compliance, responsible investment and sustainable investment issues. This is a complex issue requiring careful analysis and due regard to the legal responsibilities of the Pension Fund.

Taking this into account, the Pension Fund's approach is to work with other LGPS Funds and gain from others experience and approaches through membership of the Local Authority Pension Fund Forum.

Local Authority Pension Fund Forum (LAPFF)

The Fund joined the LAPFF in January 2008. The Forum exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance amongst companies in which they invest. With more than half of all local authority funds as members, the Forum can negotiate with companies with a single authoritative voice, impossible for smaller funds acting alone. The Forum is developing policy and carrying out research and engagement with companies on many issues, including environmental issues such as the climate change impact of the transport sector, and the impact of oil extraction from tar sands. Other initiatives include engagement with fund managers to try to improve transparency of proxy voting policies by the managers, and on corporate governance issues.

Statement of Compliance with the CIPFA Skills & Knowledge Framework

As the administering authority of the Local Government Pension Scheme, London Borough of Waltham Forest recognises the importance of ensuring all staff and members charged with the financial management and decision making with regards to the pension scheme are fully equipped with the knowledge and skills to discharge duties and responsibilities allocated to them. It therefore seeks to appoint individuals who are both capable and experienced and it will provide training for staff and members of the Pensions Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Over the course of 2017/18 members of the Pensions Committee have attended external training and had training delivered by external fund advisors and other pensions experts at the normal Pensions Committee. External Training events were attended by: - Councillor Peter Barnett and Councillor Karen Bellamy. Training covered by normal Committee meetings covered the following topics:

LGPS Overview and Investment Code of Transparency– June 17
MIFID II - September 17
Investment Risk and Equity Protection - November 17

During the year Investment consultants and Performance Analysist attended the Committee meeting and informed on issues relating to performance and investment issues.

Independent auditor's report to the members of the London Borough of Waltham Forest on the pension fund financial statements published with the Pension Fund Annual Report

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2018 which comprise the Fund Account, Net Asset Statement and the related notes, including the accounting policies in note 3.

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of the London Borough of Waltham Forest for the year ended 31 March 2018 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities the Chief Financial Officer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of the London Borough of Waltham Forest, and their

compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements, the purpose of our audit work and to whom we owe our responsibilities.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if we have exercised our responsibilities in respect of the pension fund in the following areas:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Neil Hewitson

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

30 July 2018

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES:

The Council is required:
- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Strategic Director of Finance and Governance.

• to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

• to approve the Statement of Accounts.

THE STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE'S RESPONSIBILITIES:

The Strategic Director of Finance and Governance is responsible for the preparation of the Council'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 Strategic Director of Finance and Governance 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;

• kept proper accounting records which were up to date;

• taken reasonable steps for the prevention and detection of fraud and other irregularities;

• assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;

• used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and

• maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

ISSUE DATE

The date that these Financial Statements were authorised for issue was 26 July 2018. All known material events that have occurred up to and including this date which relate to 2017/18 or before have been reflected in the statements and notes.

CERTIFICATION BY THE STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

I certify that this Statement of Accounts gives a true and fair view of the financial position of the London Borough of Waltham Forest as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018 and I hereby authorise its issue.

Date: 26 July 2018 John Turnbull CPFA
Strategic Director of Finance and Governance

Pension Fund Advisers and Other Service Providers 2017/18

During 2017/18, the following provided services to the Pension Fund:

Custodial Services

Assets and cash allocated for investment purposes are held by the Council's custodian bank - State Street:

State Street Bank and Trust Company
20 Churchill Place
Canary Wharf
London E14 5HJ

Actuarial Services

Actuarial services were provided during the year by Mercer:

Mercer Limited,
Mercury Court,
Tithebarn Street,
Liverpool,
L2 2QH

Investment Consultancy and Advice Services

Investment consultancy advice was provided by Mercer:

Mercer Limited,
Mercury Court,
Tithebarn Street,
Liverpool,
L2 2QH

Pension Fund Performance Measurement

Quarterly Performance Statistics provided were by WM Performance Services (A State Street Company):

State Street Investment Analytics,
525 Ferry Road,
Edinburgh,
EH5 2AW

Quarterly LGPS Statistics and Yearly League Statistics were provided by Pirc Local Authority Pension Performance Analytics

PIRC Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
London E14 9GE

Legal services

In-house by the Director of Governance and Law

External - Sackers, 20 Gresham Street, London, EC2V 7JE.

Independent Advice is provided by:

John Raisin, John Raisin Financial Services Limited

External Auditors

External Audit of the Pension Fund Accounts was carried out by KPMG

KPMG LLP (UK)
15 Canada Square
London
E14 5GL

PENSION FUND ACCOUNT

2016/17 £'000		2017/18 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme		
	Contributions receivable:		
	Employers:		
16,378	Normal contributions	19,116	
12,270	Deficit contributions	14,225	
2,872	Additional contributions (early retirement)	3,398	
350	Additional contributions (termination)	0	
	From members:		
7,184	Normal contributions	8,099	
34	Additional contributions	20	
39,088		44,858	**7**
	Transfers in:		
773	Transfers from individuals	5,983	**8**
39,861		50,841	
	Benefits payable:		
(33,490)	Pensions	(34,197)	**9**
(7,070)	Lump sum retirement benefits	(6,621)	**9**
(443)	Lump sum death benefits	(1,044)	**9**
	Payments to and on account of leavers:		
(81)	Refund of contributions	(161)	**10**
(2,965)	Individual transfers out to other schemes	(5,730)	**10**
	Management Expenses		
(863)	Administrative and other expenses borne by the scheme	(805)	**11**
(241)	Oversight and Governance	(140)	
(9,024)	Investment management expenses	(8,934)	**12**
(54,177)		(57,632)	
(14,316)	**Net (withdrawals)/additions from dealings with members**	(6,791)	
	Return on investments		
14,523	Investment income	16,535	**13**
90,383	Profit and losses on disposal of investments and changes in value of investments	25,604	**15**
104,906	**Net return on investments**	42,139	
90,590	**Net increase/(decrease) in the net assets available for benefits during the year**	35,348	
716,495	**Opening net assets of the scheme**	807,085	
807,085	**Closing net assets of the scheme**	842,433	

PENSION FUND ACCOUNT (continued)

2016/17 £'000	NET ASSETS STATEMENT	2017/18 £'000	Notes
	Investment assets		
	Pooled investment vehicles:-		
2,192	LGT	2,507	
150	LONDON CIV	150	
8,842	Hedge Funds	6,989	
79,717	Infrastructure	84,594	
96,760	Fixed interest securities	99,581	**15 b**
539,318	Equities	566,331	**15 c**
78,896	Unit trusts - Property	81,089	**15 e**
898	Cash and money market instruments	19,032	**15 f**
806,773	**Total Investment assets**	860,273	
	Investment assets and liabilities		
388	Debtor	25	**21**
(364)	Creditor	(453)	**22**
	Net current assets and liabilities		
1,392	Debtors	1,460	**21**
(1,114)	Creditors	(36,075)	**22**
10	Cash in hand/(overdrawn)	17,203	**15 f**
807,085	**Net assets of the scheme available to fund benefits at the period end**	842,433	

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued using the International Accounting Standard IAS19 basis, is disclosed in note 22 of these statements.

2016/17 £'000	RECONCILIATION OF MOVEMENT IN NET ASSETS	2017/18 £'000
716,495	Fund balance at beginning of year	807,085
207	Excess income over expenditure	9,744
13,136	Net profit/(loss) on realisation of investments	1,375
77,247	Unrealised profit/(loss) on investments	24,229
807,085	Fund balance at 31 March	842,433

1. DESCRIPTION OF THE FUND

The London Borough of Waltham Forest Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Waltham Forest. The London Borough is the reporting entity for this Pension Fund.

The following description of the fund is a summary only. For more detail, reference should be made to the London Borough of Waltham Forest Pension Fund Annual Report 2017/18 and the underlying statutory powers underpinning the scheme.

a) General

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

- the Local Government Pension Scheme Regulation 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) Regulation 2016

It is a contributory defined benefit pension scheme administered by the London Borough of Waltham Forest Council to provide pension and other benefits for pensionable employees of the London Borough of Waltham Forest Council and a range of other scheduled and admitted bodies within the borough. Teachers, police, firefighters and ex-NHS workers (who transferred when Public Health became Local Authority controlled in April 2013) are not included as they come within other national pension schemes.

1. DESCRIPTION OF THE FUND continued

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 London Borough of Waltham Forest Pension Fund include the following:

Scheduled bodies, colleges and academies whose staff are automatically entitled to be members of the fund.

Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 50 employer organisations within the Fund (including the London Borough itself), and over 22,000 individual members as detailed below:

31 March 2017		31 March 2018
50	Number of employers with active members	54
	Number of employees in scheme:	
4,734	London Borough of Waltham Forest	3,888
1,965	Other employers	1,997
6,699	Total	5,885
	Number of pensioners:	
6,405	London Borough of Waltham Forest	6,600
710	Other employers	673
7,115	Total	7,273
	Number of Deferred members:	
6,046	London Borough of Waltham Forest	7,716
1,839	Other employers	1,774
7,885	Total	9,490
21,699	Total number of members in the scheme	22,648

1. DESCRIPTION OF THE FUND continued

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 2018. Employee contributions are matched by employers' contributions which are based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016.

d) Benefits

	Service Pre 1 April 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.
	Service Post 31 March 2008 - 31 March 2014
Pension	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at the accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index. There are a range of other benefits provided under the scheme including early retirement, ill- health pension and death benefits. For more details, please refer to the Pension Shared Service Wandsworth website www.wandsworth/pensions or www.lgpsmember.org for more information. Benefits are index-linked in order to keep pace with inflation.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Pension Fund's transactions for the 2017/18 financial year and its position at year end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account - revenue recognition

a) Contribution income

Normal contributions, both from the member and from the employer, are accounted for on an accruals basis at the percentage recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the scheme contributions set by the actuary or on receipt if earlier than the due date.

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

(i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument at the date of aquisition or origin. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received at the end of the reporting period is disclosed in the net assets statement as a current financial asset.

(iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as a current financial asset.

(iv) Movement in the net market value of investments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fund account - expense items

d) Benefits payable

Pension and lump sum benefits include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public services scheme under section 1(1) of schedule 36 of the Finance Act 2004. It 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 code does not require any breakdown of fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged directly to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accrual basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accomodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

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

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

In addition, the following managers negotiated an element of their fee be performance related and fees were paid in 2017/18 and 2016/17 in relation to some of the funds.:

- Darwin Leisure Property Fund
- Markham Rae - Hedge Fund
- JO Hambro Capital Management - Global Equities
- Wellington -GTR Fixed Income
- Capital Dynamics - Infrastructure
- Global Infrastructure Partners - Infrastructure
- Impact Ventures UK - Social Impact Fund
- Global Infrastructure Partners - Infrastructure
- IVUK - Impact Investment
- Invesco - UK Property

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Where an investment manager's fee note has not been received by year-end , an estimate based on the market value of their mandate at 31 March is used for inclusion in the fund account.

Net Assets Statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties

Properties are valued annually at year end by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition), the fund does not hold directly any properties at this time.

i) Foreign currency transactions

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

j) Derivatives

The fund may use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes. The fund does not hold any derivative financial intruments directly at this time .

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertable to known amounts of cash and that are subject to minimal risk of change in value.

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 20) as permitted by the Code.

n) Additional Voluntary Contributions

The London Borough of Waltham Forest Pension Fund provides an Additional Voluntary Contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The fund has appointed Clerical Medical as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 23).

o) 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 the occurrence of future events.

A contingent liability arises where an event occurred prior to year-end giving rise to a possible financial obligation whose existence will only be identified by the occurance of future events. Contingent liabilities can also arise in circumstances where a provision would be made, but it is not possible to measure the value of the financial obligation reliably at the balance sheet date.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed in the notes.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The appointed actuary recalculates the net pension fund liability every three years with annual updates in the intervening years, using methodology 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 summarised in Note 19.

The actuarial revaluations 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 long term investment growth and short-term yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

Management are required to make judgements, estimates and assumptions in the preparation of the financial statements that affect the amounts reported for assets and liabilities at year end and the amounts reported for revenues and expenses during the year. Estimates and assumptions are based on historical experience, current trends and other relevant factors. However, actual outcomes could differ from assumptions and estimates due to the nature of estimation.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY continued

Actuarial present value of promised retirement benefits

The effects on the net pension liability of changes in individual assumptions can be measured. For instance:

a 0.5% increase in the discount rate assumption results in a decrease in the value of the pension liabilities of £110 million

a 0.25% increase in assumed earnings inflation increases the value of liabilities by approximately £7 million

a one-year increase in assumed life expectancy increases the value of the liability by approximately £36 million.

6. EVENTS AFTER THE BALANCE SHEET DATE

Favourable and unfavourable events that occur between the end of the reporting period and the date the financial statements are authorised for issue. Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and

b) those that are indicative of conditions that arose after the reporting period (non- adjusting events after the reporting period).

There have been no material events post balance sheet date.

7. CONTRIBUTIONS RECEIVABLE

2016/17 £'000	Category	2017/18 £'000
	Employers:	
16,378	Normal Contributions	19,116
12,270	Deficit recovery contributions	14,225
350	Additional contributions (termination)	0
2,872	Additional Contributions (early retirement)	3,398
7,218	Employees' contributions	8,119
39,088	Total	44,858

2016/17 £'000	Authority	2017/18 £'000
28,349	LBWF	29,345
9,754	Scheduled bodies	14,467
985	Admitted bodies	1,046
39,088	Total	44,858

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2016/17 £'000		2017/18 £'000
760	LBWF	5,543
13	Admitted bodies	0
0	Scheduled bodies	440
773	Total	5,983

9. BENEFITS PAYABLE

By category

2016/17 £'000		2017/18 £'000
33,490	Pensions	34,197
7,070	Commutation and lump sum retirement benefits	6,621
443	Lump sum death benefits	1,044
41,003	Total	41,862

By authority

2016/17 £'000		2017/18 £'000
37,283	LBWF	38,278
2,606	Scheduled bodies	2,395
1,114	Admitted bodies	1,189
41,003	Total	41,862

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17 £'000		2017/18 £'000
81	Refunds to members leaving service	161
2,805	LBWF	5,609
112	Scheduled bodies	71
48	Admitted bodies	50
3,046	Total	5,891

11. MANAGEMENT EXPENSES

RESTATED 2016/17 £'000		2017/18 £'000
863	Administration Expense	805
147	Actuary expenses	55
77	Oversight	21
17	Governance/other	64
1,104	Total	945

12. INVESTMENT MANAGEMENT EXPENSES

2016/17 £'000		2017/18 £'000
18	Performance measurement expenses	28
105	Custody fees	41
65	Investment consultancy fees	77
503	Investment management performance fee	310
965	Transaction Costs	1,124
6,321	Investment management expenses	6,768
1,047	Investment Management TER	586
9,024	Total investment management expenses	8,934

The level of investment fees have been significantly influenced by the investment strategy to diversify and manage risk through the use of alternative investment classes and the existence of performance fees.

13. INVESTMENT INCOME

2016/17 £'000		2017/18 £'000
8,589	Dividends equities	9,350
	Income from pooled investment vehicles:-	
352	Hedge Funds	176
3,077	Infrastructure	4,167
2,155	Property	2,438
231	Fixed Income	210
171	Other	182
(51)	Interest on cash deposits	12
14,523	Total	16,535

14. EXTERNAL AUDIT FEES

2016/17 £'000		2017/18 £'000
21	Payable in respect of external audit	21

15. INVESTMENTS

Movements in Investment Assets	2015/16 £'000	Purchases £'000	Sales £'000	Change in market value £'000	Cash movement £'000	2016/17 £'000
Pooled vehicles:-						
UK Impact Ventures	2,106	620	0	(534)	0	2,192
London CIV	150	0	0	0	0	150
Hedge Funds	13,569	0	(5,373)	646	0	8,842
Infrastructure	48,012	25,466	(631)	6,870	0	79,717
Pooled vehicle - Fixed interest securities	109,337	15,903	(33,903)	5,423	0	96,760
Equities	482,666	5,104	(24,000)	75,548	0	539,318
Unit trusts - Property	55,442	21,300	(274)	2,428	0	78,896
Cash and money market instruments	22,101	7,051	(28,273)	2	17	898
Total	733,383	75,444	(92,454)	90,383	17	806,773

Movements in Investment Assets	2016/17 £'000	Purchases £'000	Sales £'000	Change in market value £'000	Cash movement £'000	2017/18 £'000
Pooled vehicles:-						
UK Impact Ventures	2,192	620	(223)	(82)	0	2,507
London CIV	150	0	0	0	0	150
Hedge Funds	8,842	0	(301)	(1,552)	0	6,989
Infrastructure	79,717	7,308	(1,075)	(1,356)	0	84,594
Pooled vehicle - Fixed interest securities	96,760	0	0	2,821	0	99,581
Equities	539,318	5,728	0	21,285	0	566,331
Unit trusts - Property	78,896	0	(2,295)	4,488	0	81,089
Cash and money market instruments	898	21,347	(5,021)	0	1,808	19,032
Total	806,773	35,003	(8,915)	25,604	1,808	860,273

15. INVESTMENTS continued

2016/17 £'000	INVESTMENTS	2017/18 £'000
	Pooled investment vehicles	
	Unit trusts	
312,982	Equities UK quoted	323,954
226,336	Global Equities	242,377
76,078	Property	79,999
150	London CIV	150
	Other managed funds	
2,818	Property	1,090
96,760	Fixed interest securities	99,581
8,842	Hedge Funds	6,989
79,717	Infrastructure	84,594
2,192	Social Impact	2,507
898	**Cash and money market instruments**	19,032
806,773	**Total Investment assets**	860,273

a) Investments analysed by Fund Manager

2016/17 Market value £'000	%		Description	2017/18 Market value £'000	%
303,748	37.65	AXA Framlington IM	UK (Pooled) equities	312,693	36.35
235,571	29.2	JO Hambro CM	Global (Pooled) equities	253,638	29.48
58,154	7.21	Wellington Management Multi Sector Credit	Global Credit	60,723	7.06
41,905	5.19	Capital Dynamics	Pooled Infrastructure	44,254	5.15
37,811	4.69	Global Infrastructure Partners II	Pooled Infrastructure	40,340	4.69
38,606	4.79	Wellington Management - GTR	Global bonds	38,858	4.52
29,162	3.61	Darwin Leisure Property Fund	UK property	31,866	3.7
25,421	3.15	UBS Global Asset Management	UK property	27,172	3.16
20,917	2.59	Invesco - PRS	UK property	20,855	2.42
8,269	1.03	Markham Rae	Hedge Fund	6,691	0.78
2,818	0.35	DTZ Investment Management	Overseas property	1,090	0.13
2,192	0.27	Impact Ventures UK	Pooled Social Impact	2,507	0.29
578	0.07	RREEF Limited	UK property	106	0.01
573	0.07	Blue Crest	Hedge Fund	298	0.03
150	0.02	London CIV	Collective Vehicle	150	0.02
898	0.11	Cash		19,032	2.21
806,773	100.00	**Total Fund Value**		860,273	100.00

15. INVESTMENTS continued

b) Analysis of fixed interest securities by sector using market values as at 31 March 2018:

2016/17 £'000		2017/18 £'000
96,760	Overseas private sector	99,581
96,760	Total	99,581

There were no index-linked bond investments held as at 31 March 2018 or during the year.

c) Analysis of equities and convertibles by region using market value as at 31 March 2018:

2016/17 £'000		2017/18 £'000
312,982	United Kingdom - listed	323,955
	Overseas Equities	
121,484	United States and Canada	117,130
35,053	Europe	21,179
26,713	Japan	38,020
43,086	Other	66,047
539,318	Total	566,331

d) Analysis of equities and convertibles by type using market values at 31 March 2018:

2016/17 £'000		2017/18 £'000
71,862	Basic materials	57,999
15,811	Consumer goods industry	23,575
69,680	Consumer services industry	41,901
39,184	Health care	49,704
86,761	Financials	102,977
112,249	Industrials	133,315
20,817	Telecommunications	13,830
69,898	Technology	80,486
33,431	Oil and gas	28,652
6,071	Utilities	5,149
13,554	Other	28,743
539,318	Total	566,331

15. INVESTMENTS continued

e) Analysis of property unit trusts by type using market values at 31 March 2018:

2016/17 £'000		2017/18 £'000
25,421	United Kingdom - listed	27,172
50,658	United Kingdom - unlisted	52,827
2,817	Overseas - unlisted	1,090
78,896	Total	81,089

f) Cash Holdings

2016/17 £'000		2017/18 £'000
898	Cash held by investment managers	19,032
10	Cash in hand/(overdrawn)	17,203
908	Total	36,235

Purchases and sales of Investments

During the year, the fund purchased investment assets totalling £35.0 million (£75.5 million in 2016/17) and sold investment assets at a value of £8.92 million (£92.5 million in 2016/17). The following transactions were included in this to cover drawdowns of commitments within investments of infrastructure and the social impact fund. During the year a total of £6.69 million was drawndown as part of commitments to the Global Infrastructure Partners Infrastructure Funds, £0.6 million to Capital Dynamics Clean energy Funds and £0.6 million and to Impact Ventures UK fund, Purchases of £21.4 million were made to cash and cash equivalents to Money Market Funds. The sale of investments comprised of the returned capital/divestment from wind up of assets, from Capital Dynamics Clean Energy £92,000, Global Infrastructure Partners Funds £983,000, RReef £482,000, DTZ £1,813 million, Impact Ventures UK Fund £223,000 ,BlueCrest £301,000 and £5.0 million in cash and cash equivalents from Money Market Funds. All other purchases and sales relate to transactions made by the Investment Managers within the portfolios under their management.

16. FAIR VALUE

Basis of valuation

Description of asset	Valuation hierarchy	Basis Of Valuation	Observable and unobservable inputs	Key Sensitivities affecting Valuation
UK (Pooled) Equities and Global (Pooled equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Global bonds	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Pooled property	Level 2	Closing single price where single price published	Not Required	Not Required
Pooled Investments - Property Fund	Level 3	Adjusted for net capital current	NAV-based pricing set on a forward pricing basis	Estimated acquisition and disposal costs
Infrastructure	Level 3	Fair value	NAV - Based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Hedge Funds	Level 3	Closing single price where single price published	NAV - Based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Social Impact Fund	Level 3	Fair value		Estimated acquisition and disposal costs

16. FAIR VALUE continued

Level 3 Assets	Valuation range +/-	Values at 31 March 2018	Valuation Increase	Valuation decrease
		£'000	£'000	
Financial assets				
Property	1.49%	53,917	54,720	53,114
Hedge Funds	10.32%	6,989	7,710	6,268
Infrastructure	10.32%	84,594	93,324	75,864
Social Impact Funds	10.32%	2,507	2,766	2,248
Total financial assets		148,007	158,520	137,494

Level 3 Assets	Valuation range +/-	Values at 31 March 2017	Valuation Increase	Valuation decrease
		£'000	£'000	£'000
Financial assets				
Property	1.89%	53,476	54,487	52,465
Hedge Funds	8.69%	8,842	9,610	8,074
Infrastructure	8.69%	79,717	86,644	72,790
Social Impact Funds	8.69%	2,191	2,381	2,001
Total financial assets		144,226	153,123	135,329

16. FAIR VALUE continued

Fair Value Hierachy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1 Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

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

Sensitivity of assets valued at level 3

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

	Quoted market price	Using observable Inputs	With significant unobservable Inputs	Fair value
Values at 31 March 2018	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets				
Financial assets at fair value through profit and loss	666,062	27,172	148,007	841,241
Loans and receivables	37,720	0	0	37,720
Total financial assets	703,782	27,172	148,007	878,961
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(36,528)	0	0	(36,528)
Total financial liabilities	(36,528)	0	0	(36,528)
Net financial assets	667,254	27,172	148,007	842,433

16. FAIR VALUE continued

Values at 31 March 2017	Quoted market Price Level 1 £'000	Using observable Inputs Level 2 £'000	With significant unobservable Inputs Level 3 £'000	Fair value Total £'000
Financial assets				
Financial assets at fair value through profit and loss	636,228	25,421	144,226	805,875
Loans and receivables	2,688	0	0	2,688
Total financial assets	638,916	25,421	144,226	808,563
Financial Liabilities				
Financial liabilities at amortised cost	(1,478)	0	0	(1,478)
Total financial liabilities	(1,478)	0	0	(1,478)
Net financial assets	637,438	25,421	144,226	807,085

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Values at 31 March 2016	Purchases and payments	Sales	Unrealised gains (losses)	Realised gains (losses)	Values at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Property	29,952	21,300	(274)	2,478	20	53,476
Hedge Funds	13,569	0	(5,373)	129	517	8,842
Infrastructure	48,012	25,466	(631)	6,870	0	79,717
Social Impact Funds	2,106	620	0	(535)	0	2,191
Net financial assets	93,639	47,386	(6,278)	8,942	537	144,226

	Values at 31 March 2017	Purchases and payments	Sales	Unrealised gains (losses)	Realised gains (losses)	Values at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Property	53,476	0	(2,295)	231	2,505	53,917
Hedge Funds	8,842		(301)	(1,552)		6,989
Infrastructure	79,717	7,308	(1,075)	(1,356)	0	84,594
Social Impact Funds	2,192	620	(223)	(1)	(81)	2,507
Net financial assets	144,227	7,928	(3,894)	(2,678)	2,424	148,007

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

17. CLASSIFICATION OF FINANCIAL INSTRUMENTS

2016/17				2017/18		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
			Pooled investment vehicles:-			
2,192	0	0	LGT	2,507	0	0
150	0	0	London Collective Investment Vehicle	150	0	0
8,842	0	0	Hedge Funds	6,989	0	0
79,717	388	0	Infrastructure	84,594	0	0
96,760	0	0	Fixed interest securities	99,581	0	0
539,318	0	0	Equities	566,331	0	0
78,896	0	0	Unit trusts - Property	81,089	0	0
908	0	0	Cash and money market instruments	36,235	0	0
0	1,392	0	Debtors		1,485	0
806,783	1,780	0		877,476	1,485	0
			Financial liabilities			
0	0	(1,478)	Creditor	0	0	(36,528)
0	0	(1,478)		0	0	(36,528)
806,783	1,780	(1,478)	Total	877,476	1,485	(36,528)
	807,085		**Grand total**		842,433	

17b NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2016/17 £'000		2017/18 £'000
	Financial assets	
90,364	Designated at fair value through profit and loss	25,604
19	Loans and receivables	0
	Financial liabilities	
0	Fair value through profit and loss	0
0	Financial liabilities at amortised cost	0
	Debtors	0
90,383		25,604

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. Promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme. Responsibility for the fund's risk management strategy rests with the Pension Fund committee. Risk is dealt with as part of the Pension Fund's overall policies and strategies. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's investment strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Pension Fund manages these risks in two ways:

(i) the exposure of the fund to market risk is monitored through a factor analysis to ensure that risk remains within tolerable levels.

(ii) specific risk exposure is limited by applying risk weighted maximum exposures to individual assets.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

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

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Other price risk - sensitivity analysis

In consultation with the fund's performance advisers, following analysis of historical data and expected investment return movement during the financial year, the Council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

Asset Type	Potential market movements (+/-) %
UK equities	10.94
Global Pooled Equities inc UK	15.02
Pooled bonds	1.74
Cash	0.32
Property	1.49
Alternatives	10.32
Total assets	6.74

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

The potential volatilities are consistent with a one deviation movement in the change of value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Asset type	Value as at 31 March 2018 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK equities	312,693	10.94	346,902	278,484
Overseas equities	253,638	15.02	291,734	215,542
Global bonds	99,581	1.74	101,314	97,848
Cash	19,032	0.32	19,093	18,971
Property	81,089	1.49	82,297	79,881
Alternatives	94,240	10.32	103,881	84,599
Total assets available to pay benefits	860,273			

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Asset type	Value as at 31 March 2017 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK equities	312,982	10.84	346,909	279,055
Overseas equities	226,336	15.27	260,898	191,775
Global bonds	96,760	1.79	98,492	95,028
Cash	1,048	0.01	1,048	1,048
Property	78,896	8.69	85,753	72,040
Alternatives	90,750	1.89	92,465	89,035
Total assets available to pay benefits	806,772	6.92	862,601	750,944

The % change for the Total Assets include the impact of correlation across asset classes.

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 risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The fund's interest rate risk is routinely monitored by the Council and its investment advisers in accordance with the fund's investment strategy.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the fund's investment strategy.

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Credit risk

This is the risk that other parties may fail to pay amounts due to the Pension Fund. For example an interest payment or coupon due may not be paid, or a loan (bond) may not be repaid. The fund allows its investment managers a low level of risk when undertaking investments to reduce the likelihood of a default occurring on an investment. The fund also employs a custodian to ensure that all transactions are settled in an appropriate fashion.

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash flow generating mandates from the main investment strategy to meet pensioner payments; and cash to meet investment commitments.

The Council has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Liquid assets are those assets which will take longer than three months to convert into cash.

As at March 2018, the value of liquid assets was £684.9 million, which represented 80% of the total fund assets (31 March 2016 £636.9 million, which represented 79% of the total fund assets).

Refinancing risk

This is the risk that an investor cannot borrow to repay existing debt. To minimise exposure to this risk, the fund places limits on the amount of leverage investment managers can deploy within portfolios to ensure that all transactions are settled in an appropriate fashion.

19. FUNDING ARRANGEMENTS

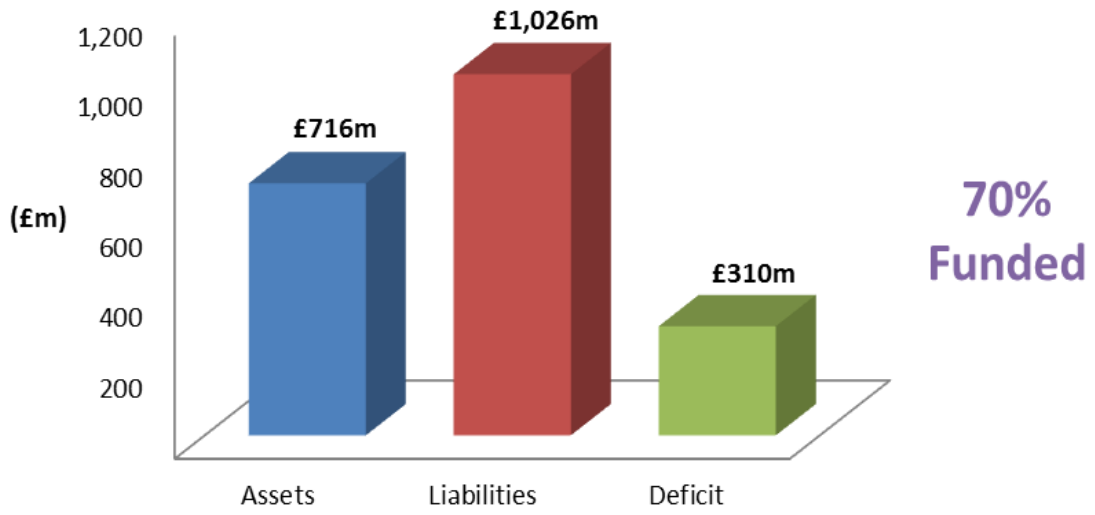
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Waltham Forest Pension Fund was carried out as at 31 March 2016 to determine the contribution rates for the period 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £716 million represented 70% of the Fund's past service liabilities of £1,026 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £310 million.

19. FUNDING ARRANGEMENTS continued



The valuation also showed that a common rate of contribution of 15.0% of pensionable pay per annum was required from employers. The primary rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 20 years, and the total initial recovery payment (the "Secondary rate") for 2017/18 is approximately £13.3 million per annum (which also includes allowance for some employers to phase in any increases and to prepay contributions).

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2017.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (including ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

19. FUNDING ARRANGEMENTS continued

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding target)	For future service liabilities (Common contribution rate)
	% per annum	% per annum
Rate of return on investments (discount rate)	4.4	4.95
Rate of pay increase (long term)	3.7	3.7
Rate of increase in pensions in payment (in excess of Guaranteed minimum pension)	2.2	2.2

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2018 (31 March 2017 assumptions are included for comparison).

	31 March 2017 % per annum	31 March 2018 % per annum
Rate of return on investments (discount rate)	2.5	2.6
Rate of pay increases	3.8	3.6
Rate of increases in pensions in payment (in excess of GMP/Deferred revaluation	2.3	2.2
Rate of CPI Inflation / CARE benefit revaluati	2.3	2.1

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors combined served to decrease the liabilities over the year.

19. FUNDING ARRANGEMENTS continued

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £1,465 million. Interest over the year increased the liabilities by c£37 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£12 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £51 million due to "actuarial gains" (i.e. the effects the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £1,463 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited May 2018

20. 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 using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. 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 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31 March 2017 £'000		31 March 2018 £'000
(1,307)	Liabilities	(1,292)
704	Assets	713
(603)		(579)

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

IAS 19 Assumptions used

2016/17 %		2017/18 %
2.3	Inflation/pension increase rate assumption	2.2
3.8	Salary increase rate	3.6
2.5	Discount rate	2.6

21. CURRENT ASSETS

Analysis of debtors outstanding at 31 March 2018:

2016/17 £'000		2017/18 £'000
	Other entities and individuals:-	
1,392	Pension contributions	1,460
387	Investment income	25
1,779		1,485

22. CURRENT LIABILITIES

Analysis of creditors outstanding at 31 March 2018:

2016/17 £'000		2017/18 £'000
	Other entities and individuals:	
1,088	London Borough of Waltham Forest General Fund	(36,075)
26	Accrued benefits	
364	Investments	(453)
1,478		(36,528)

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

During 2017/18, members paid £46,735 contributions to their personal AVCs (£67,342 in 2016/17) and the value of their investments was £737,212 at 31 March 2018 (£753,194 at 31 March 2017).

24. AGENCY SERVICES

Additional Contributions for early retirement

Additional contributions have been made to the Pension Fund on the basis of recovering the additional costs of early retirement, ill-health retirements and corporate redundancies over a period of three years. The additional contribution made in 2017/18 was £3.398 million (£2.872 million in 2016/17).

25. RELATED PARTY TRANSACTIONS

There is a strong relationship between the Council and the Pension Fund. The Pension Fund is administered by the Council for which it charged £714,000 in 2017/18 (£863,000 in 2016/17).

The Council is also the single largest employer of members of the Pension Fund and contributed £24.4 million to the fund in 2017/18 (£21.8 million in 2016/17). The Council prepaid £55.5 million to cover three years pension contributions. The full value of the prepayment contribution is £59.2 million over the 3 year period 2017/18 to 2019/2020.

Key management personnel

Members of the Pension Fund committee cannot be apportioned on a reasonable basis and are therefore disclosed in full in the Council's accounts, please refer to Notes 12, 15 and 17 of the Council's accounts. The Director of Finance holds a key position in the financial management of the Fund, the financial value of this relationship (in accordance with IAS24) is, short term benefits £55,500 in 2017/18 (£55,500 in 2016/17), long term benefits £66,680 2017/18 (£60,687 in 2016/17).

Governance

There is 1 member of the Pension Fund committee who is in receipt of pension benefits from the Waltham Forest Pension Fund (Cllr.T Wheeler). In addition, committee member Cllr.A. Hemsted is a deferred member of the pension fund.

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

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

(i) Infrastructure funds

The fund has outstanding commitments in relation to its three infrastructure funds and a Social Impact Fund. As at 31 March 2018 there were £20.897 million of infrastructure commitments outstanding (£27.956 million as at 31 March 2017). The Social Impact fund had outstanding commitments of £2.5 million as at 31 March 2018 (£3.1 million as at 31 March 2017). These commitments are drawn down in tranches over time as and when the managers request them. All commitments to the funds property investments have been fully funded. These outstanding commitments are not required to be included in the Pension Fund accounts.

27 FURTHER INFORMATION

Copies of the Pension Fund Annual Accounts, Annual Report, Investment Strategy Statement, Funding Strategy Statement, Pension Fund Valuation 2016 are published on the Council's website: www.walthamforest.gov.uk

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INVESTMENT STRATEGY STATEMENT ('ISS')

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND – MARCH 2018

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This ISS has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. This document replaces the Fund's Statement of Investment Principles.

This statement will be reviewed and consulted on at least triennially and reviewed by the Committee more frequently should any significant change occur.

2. Investment Beliefs and Objectives

The Fund has the following investment beliefs[1] which help to inform the investment strategy derived from the decision making process:

- Funding, investment strategy and contribution rates are linked
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments
- Investing over the long term provides opportunities to improve returns
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources
- Managing risk is a multi-dimensional and complex task
- Risk mitigation will be prioritised according to size of potential impact and risks will only be taken where they are expected to be rewarded
- Environmental, Social and Corporate Governance (ESG) factors are important for the sustainability of investment returns over the long term

[1] The beliefs noted above and overleaf, have been collated from previously detailed beliefs that underpin the current investment strategy and previous decisions made by the Committee.

- Active stewardship can promote the long term success of companies for the benefit of stakeholders including investors
- Value for money from investments is important, not just absolute costs. Asset pooling will help reduce costs whilst providing more choice of investments and will therefore be additive to Fund returns.
- High conviction active management can add value to returns

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due

3. Investment strategy and the process for ensuring suitability of investments.

The Fund's objective is to pay benefits as they fall due and this requires the build-up of sufficient reserves in advance. The Fund is currently assessed to have a deficit, in respect of historic benefits accrued, and so the asset strategy is focused on achieving returns in excess of CPI inflation, without taking undue risk in order to reduce this deficit. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The asset strategy, along with an overview of the role each asset plays in achieving the Fund's objectives is set out in the table below[2]:

Asset class	Allocation %	Allowable ranges %	Role (s) within the strategy
Equity	60.0	55-65	Long term growth in excess of inflation expected
Global Fixed Income	15.0	12.5-17.5	Diversified source of return from a range of sources. Not specifically income generating
Property	8.0	6-10	Diversification. Generates investment income; Returns expected to be inflation-sensitive Exposure to Illiquidity premium

[2] The allocations set out within table are the overarching ones set to meet the funding objective. The detailed allocation will be set in light of advice from the funds advisors and will be consistent with this strategy statement, which will include, for example, consideration of the style of manager, type of mandate, geographic allocation etc. required to implement this strategy

Alternatives	17.0	12-22	Diversified source of returns Some inflation protection Source of income

The Pension Fund Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under constant review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering:

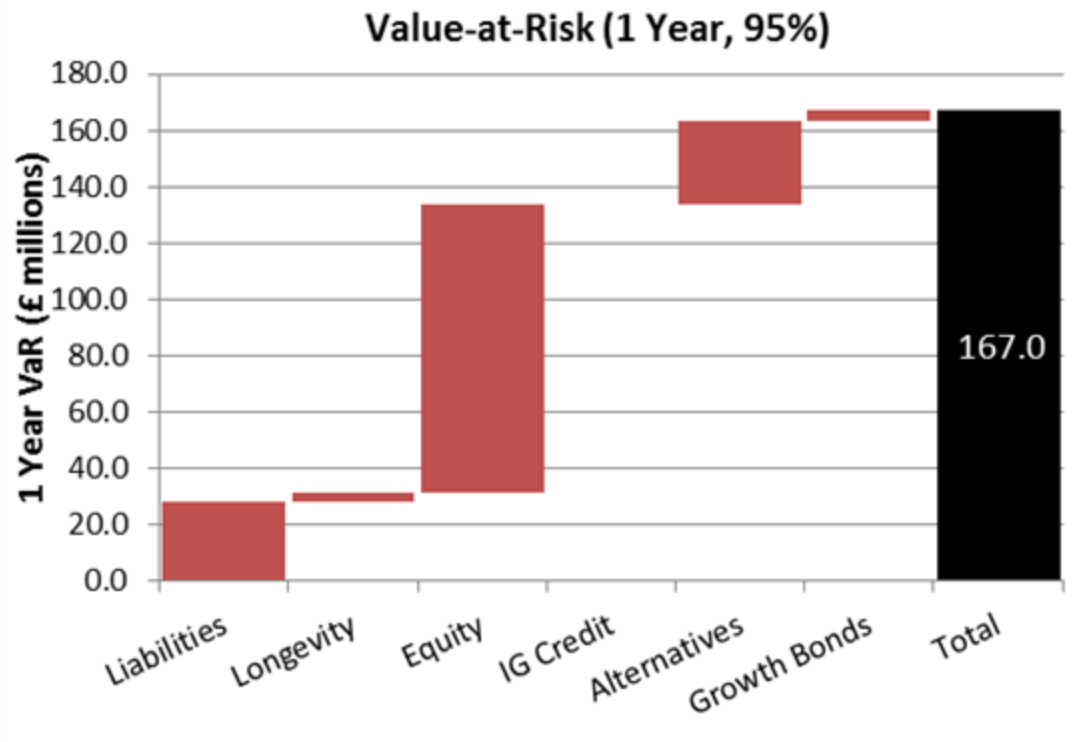
- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

4. Risk measurement and management

The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial strategy review. Risks are considered, understood and then prioritised accordingly.

A Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	**Event movement in isolation**	**Impact on Deficit**
Fall in equity markets	20% fall in equities	£105m
Rise in expected inflation	1% increase in inflation	£180m
Fall in interest rates	1% fall in interest rates	nil
Fall in required return	1% fall in required return	£180m
Active Manager underperformance	3% underperformance from all active managers	£30m

As shown in both the Value-at-Risk attribution chart and the table above, the most significant risk that the Fund is running is in relation to equities. Whilst not immaterial the risks being run by the use of active management is far smaller.

Equities

The largest risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives. The Fund is a long term investor but does require income over and above contributions received in order to pay pensions. A strategy is therefore being developed that would seek income from alternative assets and bonds, rather than from equities, in order to avoid being a forced seller at a low point in the market.

Inflation

The Fund's liabilities are impacted by inflation both explicitly and implicitly and the required return on assets is expressed in terms of inflation plus a premium. The Fund will seek to invest in a range of assets that provide returns in excess of inflation and in some cases provide an inflation linked income, subject to a tolerable level of volatility.

Alternatives

The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property, hedge funds, infrastructure and social impact private equity. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long term alternatives will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and infrastructure are also a valuable source of income.

Active Manager Risk

Investment Managers are appointed to manage the Fund's investments on its behalf. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence is used before managers are selected, with a number of different managers chosen to prevent concentration risk The investment managers are also monitored regularly by the Committee, Officers and by the Fund's Advisors.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

B Demographic Risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

C Cashflow Management Risks

As noted above, the Fund is cash flow positive after taking investment income into account. However, this position will be reviewed regularly and is a factor that is incorporated into the Fund's investment strategy reviews in order that a portfolio of income generating assets is built up over time.

D Governance Risks

The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

Details of the Fund's governance structure can be found in the Governance Compliance Statement, details of which can be found in the Annual Report and Accounts.

Details of the Fund's training plan can be found in the Annual Report and Accounts.

E Environmental, Social and Governance ('ESG') Risks

The Committee believes that ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long term investor.

The Committee believes that engagement is key in relation to strong corporate governance and managing ESG risks, which in turn will enhance returns. Details of the Fund's policies can be found later in this statement.

The Committee has made a commitment to decarbonise the Fund's portfolio over time by reducing its exposure to carbon intensive companies and assets. A particular focus for the 2017 strategy review will be to consider in more detail the risks posed by climate

change and the associated issue of stranded assets. The strategy review will include analysis of the carbon footprint of the Fund's equity portfolio and consider reduction options, as well as conducting a scenario analysis based on multiple climate change scenarios with different warming outcomes, ranging from 2ºC to 4ºC that may have implications for the Fund's future asset allocation.

4. Approach to asset pooling

The Fund has formally agreed to join the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and has opened a range of sub-funds covering liquid asset classes and some less liquid asset classes.

The Fund agreed to transition Global Equity assets into the London CIV during 2017. These assets will come from the funds current Global Equity manager and an overweight to UK equities (given the agreed shift in allocation between global and UK equities from 60% UK and 40% Global to 40% UK and 60% Global). The Fund anticipates to transition these assets in the first half of 2018.

25% of the Fund is held in illiquid assets and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision not to reinvest.

5. Environmental, Social and Corporate governance policy and policy of the exercise of rights (including voting rights) attaching to investments

With regard to responsible investment the Committee is mindful of the following legal principles, which are based on recent decisions in the courts and which apply to all pension schemes:

a. Administering authorities are free to adopt a policy of socially responsible investment, provided that they treat the financial interests of all classes of scheme members as paramount and their investment policies are consistent with the standards of care and prudence required by law.

b. Administering authorities are free to avoid certain kinds of prudent investment, which they consider scheme members would regard as objectionable as long as they make equally financial advantageous and prudent investments elsewhere. They may also make "ethical" investments provided these are otherwise justifiable on investment grounds.

c. Administering authorities are not entitled to subordinate the interests of members to ethical or social concerns. The financial performance of the Fund consistent with proper diversification and prudence is paramount.

ESG issues can have a material impact on long-term risk and return outcomes and considering these issues is consistent with the fiduciary duty of the Committee. The Fund is a long-term investor and is committed to being an active owner. It wishes to promote a policy of dialogue on responsible investment issues, through its investment managers, with company management.

The Committee has identified the following ESG issues as a focus for engagement:

- Environmental issues: including conserving energy, promoting alternative energy sources, recycling, avoiding pollution and using environmentally friendly and sustainable resources
- Human rights: including child labour issues in foreign subsidiaries of UK companies or operations in countries with oppressive regimes
- Employment standards: including equal opportunities, health and safety, trade union recognition and employee participation

The Committee has a fiduciary duty to invest Fund assets in members' best interests and so must ensure that assets are invested in an appropriate manner; as a result any ESG considerations must be taken in light of expected return implications.

The Fund invests via pooled funds and therefore expects its underlying investment managers to exercise voting and engagement rights on its behalf. The Fund is therefore subject to the ESG and voting policies of the individual investment managers. The Committee considers these policies when appointing a new manager and when monitoring investment managers, the Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policy.

The Fund complies with the UK Stewardship Code ('the Code') has prepared a formal statement of commitment with the Code for assessment. The current draft is set out in Appendix A. The Fund encourages its underlying investment managers to comply with the Code.

It is proposed to monitor action by investment managers on a quarterly basis and further develop this policy on an annual basis on the basis of experience. The Committee also receives an annual report from its Investment Consultant on the ESG credentials of its investment managers.

The Committee recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes. The Fund has joined the Local Authority Pension Fund Forum (LAPFF) to promote best practice on corporate governance and SRI issues amongst the companies in which it invests, through cooperative action with other local authority funds. LAPFF exists to promote the investment interests of local authority pension

funds and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance amongst companies in which they invest.

With more than half of all local authority funds as members, LAPFF can negotiate with companies with a single authoritative voice, impossible for smaller funds acting alone. LAPFF is carrying out research and engagement with companies on many issues, including environmental issues such as the climate change impact of the transport sector, and the impact of oil extraction from tar sands. Other initiatives include engagement with investment managers to try to improve transparency of proxy voting policies by the managers, and on corporate governance issues.

With respect to Social Investments, the Fund recognises that there is a broad range of investment opportunities. The Fund considers investments that are expected to generate positive social and/or environmental benefits with competitive financial returns. The Fund currently invests a small proportion of its assets in a private equity fund run by LGT Venture Philanthropy that invests in projects aiming to deliver a positive social impact.

As noted earlier, the Fund has also made a commitment to reduce its exposure to carbon intensive companies and assets. The Fund also takes a proactive stance by investing in clean energy initiatives via its infrastructure strategy.

Myners Principles

Although no longer referenced in the Regulations, the Committee feels that assessment of compliance with the Myners Principles is a valuable governance tool. A copy of the Fund's Myners Compliance Statement can be found in the Annual Report and Accounts.

Advice Taken

In creating this statement, the Fund has taken advice from its Officers, Investment Consultant and Independent Advisor (John Raisin Financial Services Limited). Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, also Mercer. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

Appendix A

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND

Draft Statement of Commitment with the UK Stewardship Code

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Fund takes its responsibilities as a shareholder seriously and has made a commitment to the informed exercise of its ownership rights as detailed in the Fund's Investment Strategy Statement.

The Fund invests via pooled funds and therefore expects its underlying investment managers to exercise voting and engagement rights on its behalf. The Fund encourages its underlying investment managers to comply with the UK Stewardship Code.
The Fund is subject to the ESG and voting policies of its underlying investment managers. The Pension Fund Committee ('the Committee') considers these policies when appointing a new manager and when monitoring investment managers, the Fund's Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policy.

In considering its stewardship activities, the Fund monitors the activities of its investment managers with regard to the following:

- The exercise of voting rights
- The integration and management of Environmental, Social and Corporate Governance (ESG) issues
- Engagement activities and progress

The Fund is a long-term investor and is committed to being an active owner. It wishes to promote a policy of dialogue on responsible investment issues, through its investment managers, with company management.

The Committee has identified the following ESG issues as a focus for engagement:

- Environmental issues: including conserving energy, promoting alternative energy sources, recycling, avoiding pollution and using environmentally friendly and sustainable resources
- Human rights: including child labour issues in foreign subsidiaries of UK companies or operations in countries with oppressive regimes
- Employment standards: including equal opportunities, health and safety, trade union recognition and employee participation

The Fund recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes and is a member of the Local Authority Pension Fund Forum (LAPFF), which aims to promote best practice on corporate governance and RI issues through co-operative action with other local authority funds.

The Fund regularly reviews its approach to responsible investment and the exercise of its stewardship activities.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund expects its investment managers to have effective policies addressing potential conflicts of interest related to stewardship.

In respect of potential conflicts of interest within the Fund, the Committee members are required to make declarations of interest prior to panel meetings.

All declarations are captured in the minutes of the meeting, which are publicly available, Potential conflicts, based on declarations, are managed accordingly by the Chair of the Committee.

Principle 3: Institutional investors should monitor their investee companies.

While the day-to-day responsibility for managing the Fund's equity holdings is delegated to the Fund's appointed investment managers, the Fund recognises that it cannot delegate its stewardship obligations. The Fund's Committee and Officers monitor the Fund's investment managers on a regular and ongoing basis, including with respect to stewardship activities.

As such the Fund expects its investment managers to monitor investee companies, intervene where necessary, and report back regularly on activity undertaken. This may be via written reports, phone calls, or meetings with the Officers and the Committee.

In addition, the Committee receives an annual report from the Fund's investment consultant on the ESG credentials, including active ownership, of its investment managers.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary.

The Fund's Officers and Committee monitor the escalation activities undertaken by the Fund's investment managers through the regular reporting provided by the Fund's managers. On occasion, the Fund may itself choose to escalate activity; this will typically be through its membership of LAPFF or via one of the underlying investment managers.

Escalation activities undertaken by LAPFF may include writing a letter to the board or additional meetings with company management.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies.

The Fund undertakes collective engagement activities through its membership of LAPFF as well as through initiatives proposed by the Fund's investment managers or advisors.

In addition, the fund has formally agreed to join the London Collective Investment Vehicle (CIV) and regularly collaborates with other members of the CIV with respect to ESG and stewardship issues.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

The Fund invests via pooled funds and is therefore subject to the underlying investment managers' policies. The Fund expects its investment managers to exercise all votes associated with the Fund's equity holdings where practicable. The Fund encourages its investment managers to publicly disclose their voting records.

Generally, the Fund expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the Committee expects the managers to take account of local best practice principles.

Where resolutions or issues fall short of the expected standards, the Committee expects managers will either abstain or vote against, depending on the individual circumstances of the company and the issues presented. The Committee expects the investment managers to report on their voting activities on a regular basis and the Fund's Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policy.

The policy is reviewed at least annually in order to take account of regulatory developments and timely or controversial issues may be discussed at Committee meetings.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

The Fund expects its underlying investment managers to report regularly to both the Officers and the Committee with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Fund encourages its investment managers to publicly report on their stewardship activities.
The Fund will report on its stewardship activity to the Committee on an annual basis.

In addition, quarterly reports of voting actions are posted as part of the funds reporting to Committee and are available on the Council's website http://democracy.walthamforest.gov.uk/ieListMeetings.aspx?CId=495&Year=0

The Committee will provide an annual report on how the Fund satisfies its UK Stewardship Code obligations requirements, which will be made publicly available.
This statement has been approved by the Committee on 16 March 2017.

If you have any questions on this statement or the Fund's approach to stewardship, please contact Debbie Drew, Pensions and Treasury Manager by e-mail at the following address Debbie.drew01@walthamforest.gov.uk

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MYNERS PRINCIPLES FOR INVESTMENT DECISION MAKING AND DISCLOSURE

Disclosure of compliance or non-compliance to the Myners Principles for Investment Decision Making, are no longer a requirement under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund has made the decision as part of its Investment Strategy Statement to carry on reporting on these principles as the Committee feels that assessment of compliance with the Myners Principles is a valuable governance tool. .

Principles	Compliance Statement
Effective Decision Making Administering Authorities should ensure that: • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation. • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	**Compliant** The Pension Fund Committee is the body responsible for the management of the Pension Fund. The committee meet quarterly and receive training as required by the CIPFA "Pensions Finance, knowledge and skills framework". Papers are circulated in advance of meetings. The Committee recognise their fiduciary responsibilities for managing the Pension Fund. Briefing meetings are held with the Chair of the Pension Fund Committee prior to each Committee. The CIPFA "Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector" (2010) is adopted as the basis for its training and development programme. In 2015 the Pension Fund Committee reviewed its approach to Training and approved the further areas of knowledge and skills relating to Governance and Pensions Administration be added. The Committee receives advice from Fund Officers and, in addition, has appointed an Investment Consultant (Mercer) and an Independent Advisor to support decision making and provide training across the breadth of investment/governance issues where necessary which are considered by the Pension Fund Committee. The Pension Fund has a 3 year business plan which is Reviewed and updated yearly.
Clear Objectives • An overall investment Objective(s) should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers and these should be clearly communicated to advisers and investment managers.	**Compliant** The committees investment objectives are as follows:- ▪ to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies. ▪ manage employers' liabilities effectively ▪ ensure that sufficient resources are available to meet all liabilities as they fall due, and ▪ maximise the returns from investments within reasonable risk

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parameters.

- The Committee regularly reviews the asset/liability position of the Fund and seeks advice from its advisers including Fund Actuary when determining investment policy. The Fund has its own objective for performance.

The Fund lays down in detail its investment strategy in its Funding Strategy Statement and its Investment Strategy Statement. These can be found on the Councils web site with the Pension Fund Annual Report for 2017/18.

Risk and liabilities

- In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.
- These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Compliant

The Fund Actuary undertakes a triennial valuation of the Fund, measuring the gap between the Fund's assets and liabilities. The Committee receives regular updates on the funding position of the Fund, performance and review of asset allocation and benchmarks.

The 2017 Funding Strategy Statement includes consideration of the issue of the strength of the covenant of the various employers participating in the Waltham Forest LGPS Fund.

The Fund is required to take investment risk to achieve the 5.2% (or CPI + 2.2%) performance required in the assumptions underpinning the actuarial valuation and Funding Strategy Statement.

The funds risk register which is reviewed on a yearly basis will be approved at the Pensions Committee in June 2018, it will also be attached as an appendix to the Pension Fund Annual Report.

The Committee is aware of their responsibility to all stakeholders in the Fund including local tax payers.
We communicate regularly with employers in the Fund and hold Seminars to update them on the valuation process, giving them an opportunity to ask any question as and when required.

Various investment strategy reviews were undertaken during the Year.

All External Audit reports are taken to Committee following production.

Performance assessment

- Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.
- Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Partially Compliant

Formal arrangements are in place for monitoring both quarterly and longer term performance of the Fund's investments and investment managers with the use of the Funds investment consultants and external performance measurement service.

The Pensions and Treasury Manager and the Independent Advisor normally meet with each individual investment Manager on a quarterly basis.

The Pension Fund produces and Annual Report in relation to the Fund's activities, performance, accounts and governance

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arrangements. Members are also involved in a training programme which is line with the requirements of the CIPFA Knowledge and Skills Framework.

The Committee's performance can be reviewed against the Pension Fund Business Plan that is reviewed and updated on a annual basis.

Responsible ownership

Administering authorities should:

- recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code.
- include a statement of their policy on responsible ownership in the Investment Strategy Statement; and
- report periodically to scheme members on the discharge of such responsibilities.

Partially Compliant

The Funds Investment Strategy Statement contains a statement on the Funds policy towards ESG and investment.

Fund managers have delegated authority to exercise shareholder's voting rights in accordance with the Pension Funds corporate governance policy as set out in its ISS. Action taken will be reviewed, as appropriate at the quarterly meetings between the Council officers and the fund managers and by the Pension Fund Committee.

The London of Waltham Forest Pension Fund is a member of Local Authority Pension Fund Forum (LAPFF), which comprises over 70 local authority pension funds. The forum promotes the investment interests of its members, and it maximises their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

ESG issues are generally reported yearly by the funds investment Consultant Mercer.

The fund has made a Statement of Compliance to the UK Stewardship Code The was approved by the Committee in January 2017.

Transparency and reporting

Administering authorities should

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and
- provide regular communication to scheme members in the form they consider most appropriate.

Partially Compliant

The Fund's Governance Policy, Compliance Statement and Fund's Communication Policy Statement setting out the Fund's policies in respect of governance and communicating with stakeholders can be found along with the Funds Annual Report and Accounts, risk register, business plan and pension administration strategy on the Council's website.

From 2015 the Fund has established (in accordance with the LGPS Regulations) a Pension Board consisting of equal Numbers of Employee and Employer representatives. The Board which has the role of "assisting" the Pension Fund Committee (which however retains the decision making role for the Fund) will facilitate increased communication with both Employers and Employees.

The Fund aims to hold at least one employer seminar per year to update and make employers aware of any issues or just to refresh information allowing for employers to feed back idea's and ask questions.

The Fund seeks to send out annual newsletters to active and pensioner members of the Pension Fund.

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In addition active and deferred members of the scheme are sent Annual Benefit Statements.

Communications via various means are also sent as and when required. We also provide members with information as to where they can find out more about the Fund and the LGPS in general.

APPENDIX 3

FUNDING STRATEGY STATEMENT

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND

MARCH 2017

London Borough of Waltham Forest

This Funding Strategy Statement has been prepared by London Borough of Waltham Forest (the Administering Authority) to set out the funding strategy for the London Borough of Waltham Forest Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

Ensuring that the London Borough of Waltham Forest Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (London Borough of Waltham Forest). The Funding Strategy adopted by the London Borough of Waltham Forest Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the London Borough of Waltham Forest Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the London Borough of Waltham Forest Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

THE FUND'S OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must

have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 70% at the valuation date (i.e. the assets of the Fund are less than the liabilities), a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year), unless agreed with the Administering Authority whereby deficit contributions will be set as a % of payroll, and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at least at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period). Full details are set out in this FSS.

The target recovery period for the Fund as a whole is [22] years at this valuation. Subject to affordability and other considerations, individual employer recovery periods would be expected to be a continuation of those set at the previous valuation.

Where there is an increase in contributions required at this valuation, at the sole discretion of the Administering Authority, the employer will be able to step-up their contributions over a period of up to 3 years.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. included in the "Secondary" rate) are set out in Appendix B to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment

Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities and solvency level is 2.2% per annum and for determining the future service ("Primary") contribution rates is 2.75% per annum.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund. In addition, the asset share may be restated for changes in data or other policies.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund may continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and

pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in Appendix C. Examples of new employers include:

- Fund Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to government bond yields and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it. Details of how the Fund's termination policy works are set out in Appendix C.

4. Academies Policy

The Fund currently operates a policy whereby any new academies entering the Fund are pooled together for the purpose of setting contribution rates with other academies (primarily those who converted on or after 1 July 2012) and also schools which remain under the control of the local education authority. Details on how this policy operates are set out in Appendix D.

CONTENTS

APPENDICES

1 INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the London Borough of Waltham Forest Pension Fund (the "Fund"), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

2
PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4
RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pensions Committee, the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the LGPS so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- Where deficits remain, the Fund does not believe it appropriate for contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable on deficit contributions) unless there is a specific reason to do so.

- Subject to consideration of affordability, as a general rule the deficit recovery period will remain the same for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). These principles have resulted in a target recovery period of 22 years being adopted for most Fund employers.

- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
    - the **Secondary rate**: a schedule of lump sum monetary amounts and/or % of pay amendment over 2017/20 in respect of an employer's surplus or deficit (which may be expressed as a % of payroll for certain employers)(including any phasing adjustments).

  For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.

- Where increases (or decreases) in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, at the sole discretion of the Administering Authority the increase (or decrease) from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years.

- For certain employers, subject to the agreement of the administering authority, the option to prepay Primary rate contributions may be made available. This option would be on the proviso that a "top-up" payment would be made by the employer prior to the end of the prepayment period in order to ensure that no underpayment emerges versus the minimum required by the valuation certificate.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer. The termination policy is set out in Appendix C.

- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

FUNDING FOR EARLY RETIREMENT COSTS

For those employers not in the Schools/Academies pool, unless allowance is built into the Employers contribution rate, Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund (including those arising from ill-health retirements), or in certain circumstances by agreement with the Fund, through instalments over a period not exceeding 3 years or if less the remaining period of the body's membership of the Fund.

For those employers in the Schools/Academies pool, Employers are required to meet the costs of non ill-health early retirement strains only by immediate capital payments into the Fund, or in certain circumstances by agreement with the Fund, through instalments over a period not exceeding 3 years.

6

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 70% covered by the current assets, with the funding deficit of 30% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in a real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 48%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is:

	Benchmark %
UK Equities	35
Global Equities	24
Total Equities	59
Fixed Income	15
Total Bonds	15
Property	8
Hedge Funds	5
Infrastructure	10
Other Alternatives	3
Total Alternatives	26
Cash	0
Total	100%

The investment strategy set out above and individual return expectations on those asset classes equate to an overall best estimate average expected return of 3.5% per annum in excess of CPI inflation as at 31 March 2016. For the purposes of setting a funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations (see further comment in Appendix A).

During the recovery period, an overall investment return assumption of up to 2.9% per annum in excess of CPI will be allowed for in the calculation of the required deficit recovery contributions for certain employers. The Administering Authority believes that this is a reasonable “best estimate” allowance for investment returns during the recovery period based on the investment strategy as set out above and following analysis undertaken by the Actuary and the Fund’s investment advisors.

7

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations
- The level of take-up of the 50:50 option at a higher or lower level than built into the actuarial assumptions.

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Whilst regulatory procedures are in place to ensure that ill-health retirements are properly controlled, although such retirements will not affect the solvency of the Fund given they are the subject of a direct charge, employing bodies also need to recognise that costs for them will arise on the event of an ill-health retirement. Similarly, early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they too are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the Fund's cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Local Pension Board) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

8
MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

APPENDIX A –

ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, alternative methods are adopted, which make advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.2% per annum above CPI inflation, i.e. a total discount rate of 4.4% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index.

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. For example for public sector employers this results in a total salary increase of 1.0% per annum to 2019/20 in line with Government policy.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with

the CPI (e.g. some Guaranteed Minimum Pensions where the LGPS is not currently required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity. The mortality tables used are set out below, with a loading reflecting LGPS experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.5% per annum.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the proportions married/civil partnership assumption rates of ill-health retirement (for some employers) and withdrawal from active service assumption have been modified from the last valuation. No allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.7% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation and a slightly higher expected return from the investment strategy has been assumed. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of[2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund. In addition, the asset share may be restated for changes in data or other policies.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.2% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.4% p.a.
CPI price inflation*	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

*alongside an allowance for short term pay restraint of 1% p.a. for 4 years where applicable

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

Current Status	Retirement Type	2016 study
Annuitant	Normal Health	102% S2PMA_CMI_2015[1.5%] / 91% S2PFA_CMI_2015[1.5%]
	Dependant	132% S2PMA_CMI_2015[1.5%] / 107% S2DFA_CMI_2015[1.5%]
	Ill Health	102% S2PMA_CMI_2015[1.5%] + 3 yrs / 91% S2PFA_CMI_2015[1.5%] + 3 yrs
Active	Normal Health	102% S2PMA_CMI_2015[1.5%] / 91% S2PFA_CMI_2015[1.5%]
	Ill Health	102% S2PMA_CMI_2015[1.5%] + 4 yrs / 91% S2PFA_CMI_2015[1.5%] + 4 yrs
Deferred	All	102% S2PMA_CMI_2015[1.5%] / 91% S2PFA_CMI_2015[1.5%]

-Life expectancies at age 65

	Male Life Expectancy at 65	Female Life Expectancy at 65
Membership Category	**Proposed Assumption**	**Proposed Assumption**
Pensioners	22.3	25.3
Actives aged 45 now	24.5	27.6
Deferreds aged 45 now	24.5	27.6

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B –

EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (unless otherwise agreed with the Administering Authority) increasing at 3.7% per annum and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Default Deficit Recovery Period	Derivation
Fund Employers	22 years	Determined by maintaining the period from the preceding valuation and to ensure, where appropriate, contributions do not reduce versus those expected from the existing recovery plan.
Open Admitted Bodies	22 years	Determined by maintaining the period from the preceding valuation and to ensure, where appropriate, contributions do not reduce versus those expected from the existing recovery plan.
Closed Employers	Lower of 22 years and the future working lifetime of the membership	Determined by maintaining the period from the preceding valuation and to ensure, where appropriate, contributions do not reduce versus those expected from the existing recovery plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;

- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period).

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers and managing risk in the intervaluation period, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for such organisations for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C –

ADMISSION AND TERMINATION POLICY

This document details the London Borough of Waltham Forest Pension Fund 's (LBWFPF) policy on the methodology for assessment of ongoing contribution requirements and termination payments in the event of the cessation of an employer's participation in the Fund. This document also covers LBWFPF's policy on admissions into the Fund and sets out the considerations for current and former *admission bodies*. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

- Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

- Scheme Employers have a statutory right to participate in the LGPS and their staff therefore can become members of the LGPS at any time, although some organisations (Part 2 Scheme Employers) do need to designate eligibility for its staff.

A list of all current employing bodies participating in the LBWFPF is kept as a live document and will be updated by the Administering Authority as bodies are admitted to, or leave the LBWFPF.

Please see the glossary for an explanation of the terms used throughout this Appendix.

ENTRY TO THE FUND

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation's funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;

- If the admitted body has an expected limited lifespan of participation in the Fund;

- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

ADMITTED BODIES PROVIDING A SERVICE

Generally Admitted Bodies providing a service will have a guarantor within the Fund that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a "risk assessment report" provided by the actuary to the LBWFPF. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the LBWFPF it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund's general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the LBWFPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the LBWFPF the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions

CONTRIBUTION RATE ASSESSMENTS

Any Admitted Body for whom the Scheme Employer is in the Schools/Academies pool, the contribution rate payable will be in line with the total contribution rate payable by the pool, as assessed as part of each triennial actuarial valuation exercise (see Appendix D). The Admitted Body then also becomes part of the pool.

Where the Scheme Employer is a stand-alone Academy, and there are less than or equal to 10 members transferring at the point of admission, the Admitted Body will pay the same Primary Contribution Rate as the Scheme Employer.

Where there are more than 10 members transferring at the point of admission, or the Scheme Employer is not an Academy e.g. the Council, the Actuary will undertake an assessment of the required contribution rate payable.

PRE-FUNDING FOR TERMINATION

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy a notional investment strategy will be assumed as a match to the liabilities. In particular the employing body's notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

EXITING THE FUND

TERMINATION OF AN EMPLOYER'S PARTICIPATION

When an employing body terminates for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

In the event that unfunded liabilities arise that cannot be recovered from the employing body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

For those employing bodies who joined the Fund after 30 September 2009, the LBWFPF's policy is that a termination assessment will be made based on a minimum risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the LBWFPF's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the LBWFPF otherwise. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit on closure. In these circumstances no termination payment will be required from the outgoing employing body itself, as the deficit would be recovered via the successor body's own deficit recovery plan.

For those employing bodies who joined the Fund prior to 30 September 2009, the LBWFPF policy is that these existing admissions will be notionally "ring-fenced" with the valuation funding basis used for the termination assessment and calculation of ongoing contribution requirements. In the event that unfunded liabilities arise that cannot be recovered from the admission body at termination and in the absence of a guarantor or successor body, these will fall to be met by the Fund as a whole.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases no termination assessment is required as there will no longer be any orphan liabilities in the LBWFPF. Therefore, a separate assessment of the assets to be transferred will be required.

FUTURE TERMINATIONS

In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the Regulations, in the event of the Administering Authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Administering Authority that it will cease to be a participating employer. In this case, employing bodies are encouraged to open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

The Fund's standard policy is to recover termination deficits (including interest and expenses) as a one off payment. However, at the discretion of the Administering Authority, the deficit can be recovered over an agreed period as certified by the Actuary. This period will depend on the Administering Authority's view on the covenant of the outgoing employer.

MINIMUM RISK TERMINATION BASIS

The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2016) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Least risk assumptions	31 March 2016
Discount Rate	2.2% p.a.
CPI price inflation	2.2% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

All demographic assumptions will be the same as those adopted for the 2016 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the rate of improvement in mortality rates to 1.75% p.a. from 1.5% used in the 2016 valuation for ongoing funding and contribution purposes.

APPENDIX D –
ACADEMIES POLICY

1. INTRODUCTION

1.1 The Local Government Pension Scheme (LGPS) Miscellaneous Regulations 2010 made an amendment to the LGPS (Administration) Regulations 2008 to allow an Academy established under the Academies Act 2010, to become a Scheme Employer within the LGPS.

1.2 The Department for Education issued guidance that indicated a newly converted Academy would be expected to assume responsibility for an initial funding deficit and that Academies would operate under a minimum notice period of 7 years.

1.3 A note was subsequently issued by the Secretaries of State for Education and Communities and Local Government in December 2011 that stated Academies' overall pension costs should not increase as a result of conversion and that pooling arrangements should be considered positively.

1.4 This document details the London Borough of Waltham Forest Pension Fund's ("the Fund") policy on the pension funding options available to newly formed Academies.

2. APPROACH

2.1 Prior to 1 July 2012, before converting to Academy status, schools had been pooled together with the Local Education Authority (LEA) including other LEA schools and other Council departments for the purpose of meeting their obligations for LGPS pension provision, in particular for the assessment of employer contribution rates.

2.2 All of the LEA's and LEA schools' active members on 1 July 2012 were re-classified as a new distinct group separate from the other Council departments. This group were constituted as the Schools/Academies Group ("the Group").

2.3 An amount of pension fund assets (minimum of nil) was notionally transferred to the Group from the Council's section of the Fund such that the deficit recovery contributions required from the Group to repair the resultant deficit were maintained at the same level (at the time of re-classification) as those required prior to re-classification.

2.4 The required employer contributions will be driven by the profile and underlying funding position of the Group as a whole. It will be periodically assessed at each triennial actuarial valuation of the Fund, in accordance with the Fund's Funding Strategy Statement, as if the Group was an individual employer.

2.6 For individual employers within the Group, the treatment described in 2.4 means that the contributions payable could be more, or less, than what would be required if that employer was classed as a separate entity within the Fund.

2.7 The Administering Authority retains the ultimate discretion in applying this policy and will consider any representations made to it on a case-by-case basis. Any variations agreed however will take into account the covenant / financial strength of the body concerned.

3 OPTIONS

3.1 The Fund offered existing Academies Act 2010 Academies (i.e. those that converted to Academy status before 1 July 2012) a one-off choice, see paragraph 4.12, in respect of their treatment within the Fund going forward:

3.1.1 Such academies either elected to participate within the Group effective from 1 April 2014 and adopt the pooled Group contribution rate, or

3.1.2 They elected to continue being treated as a separate entity. That is, they remained as a stand-alone employer within the Fund entirely responsible for their own membership experiences and only theirs rather than a wider group.

3.2 The contribution rates payable by all employers in the Fund include a contribution towards the cost of pension benefits to be accrued in the future and a contribution towards the cost of repairing any funding deficit in respect of benefits accrued to date. As outlined in paragraph 2.4, under a pooled arrangement, the membership profile and level of past service deficit will drive the contribution requirement and will be assessed across all pooled employers. Under a stand-alone arrangement, the circumstances of the single employer will determine the contribution requirements.

3.3 Once a decision has been reached in terms of the choice available to an Academy as outlined in 3.1, this cannot be reversed by the Academy. There may be circumstances however where there may be a Regulatory requirement for a reversal to take place. The Council, as Administering Authority, also reserves the right to reconsider the funding treatment of the Academies (alongside other admitted bodies).

POOLING

3.4 By pooling within the Group, there will be a cross subsidy of cost between participating employers within the Group. Under a pooled arrangement a participating employer would be exposed to the experience of the Group as a whole, in terms of the risks associated with pension funding and vice-versa e.g. pay growth, ill-health retirement, mortality experience etc. The approach, therefore, could have the effect that the contributions payable to the Fund are more, or less, than what would be required if a participating employer was classed as a separate entity.

3.5 Implementation and Operation rules will be as set out below in section 4, relating to:

- a new conversion to Academy status for a School already participating within the Group,
- a new conversion to Academy status for a School already participating within the Group where the new Academy will participate in a different LGPS Fund, and
- an Academy ceasing to operate and policy around the assessment / recovery of any underfunding.

3.6 The Group will be subject to the funding parameters as set out in the Fund's Funding Strategy Statement, which governs how contribution rates are determined at each formal actuarial valuation (see 2.4).

4 IMPLEMENTATION AND OPERATION

NEW ACADEMIES

4.1 Any Schools within the Group that, in future, elect to convert to Academy status will remain part of the Group but re-classified to an Academy and will continue to pay the pooled Group contribution rate effective at their conversion date. The pooled Group contribution rate will be reassessed at each triennial actuarial valuation.

CHANGES OF FUND

4.3 For any School electing to convert to an Academy that would participate in another LGPS Fund, the bulk transfer arrangements required would be constructed such that an amount of pension fund assets (minimum of nil), determined as at conversion date, will be transferred from the Group to the receiving LGPS Fund such that, assuming no change to the deficit recovery period, the deficit recovery contributions required, in respect of the transferring members, will be maintained at the same level post transfer as those required prior to transfer (in either £s or % of pay terms, as appropriate). This is consistent with the approach adopted, where there is no change in Fund, as set out in this policy document. The amount of assets ultimately transferred to another LGPS Fund will be the amount determined at conversion date, updated to allow for Fund investment returns since conversion date, where available, or appropriate index returns where Fund returns over the period are unavailable.

ACADEMY CLOSURES

4.4 Where an Academy within the Group ceases, a termination contribution payable to the Group will be calculated by the Fund Actuary. The termination payment will be calculated as the capitalised amount, as at the date of closure, of all future deficit recovery contributions that Academy was expected to make under the current contributions set in accordance with the Fund's Funding Strategy Statement. After remittance in full, the outgoing Academy will have no further liability in the context of the Fund.

4.5 For Academies that chose not to participate within the Group under option 3.1.2, their termination contribution will be calculated in accordance with the Fund's Funding and Termination Policy which could result in a significantly different termination contribution being required.

4.6 The Administering Authority will explore all options at its disposal if the amount calculated under paragraph 4.4 is not forthcoming.

4.7 To the extent that any amount calculated under paragraph 4.4 is not forthcoming from the outgoing Academy or from any Guarantor or other form of security that was in place, the remainder of the Group will assume responsibility for any unrecovered deficit.

4.8 After the closure of an Academy, and either on the full remittance of any contribution required under paragraph 4.4 or the responsibility of the shortfall being transferred to the remaining Group under 4.7, full responsibility for any future pension fund risks associated with the now "orphan liabilities" (i.e. those relating to the outgoing Academy) will be borne by the remaining Group.

ACTUARIAL ASSESSMENT AND ACCOUNTING FOR PENSION COSTS

4.9 The contribution rates for all participating employers in the Fund are formally reassessed by the Fund Actuary every three years as part of an actuarial valuation exercise. As set out in paragraph 2.4, the contributions required for the Group as a whole will be assessed as if it were a single employer.

4.10 Even though pooled within the Group, it should be noted that Academies may still be required to report under the relevant Financial Reporting Standard (FRS) (depending on Department for Education guidelines).

4.11 Academies participating within the Group will have their individual funding position within the Group separately tracked for the purposes of their accounting requirements. If required, this can be actuarially assessed either at conversion, at the time the accounting figures are needed, or at the next triennial actuarial valuation of the Fund. The individual employer funding position / accounting figures, however, will not impact on the overall contributions due, as these will be calculated as described in paragraph 2.4.

STATEMENT OF CONFIRMATION AND DEFAULT OPTION

4.12 All existing Academies Act 2010 Academies (who converted prior to 1 July 2012) were required to sign a formal statement of confirmation to their funding treatment (alongside Waltham Forest Council, as Administering Authority of the Fund). Nil returns were taken as the default choice of entering into the Group as set out in 3.1.1.

APPENDIX E – GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

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

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Fund / Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

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

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time

horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

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

Minimum risk basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is

completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

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

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

APPENDIX 4

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND
GOVERNANCE COMPLIANCE STATEMENT 2018

This Governance Compliance Statement has been prepared in accordance with Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended). It takes into account the Statutory Guidance issued by the Department for Communities and Local Government on 3 December 2008 in accordance with Regulation 31(3)(c) of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

Principle A - Structure

a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.

b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Non Compliant				Fully Compliant
a)					√
b)				√	
c)			n/a		
d)			n/a		

Reason for non-compliance

Item b) LBWF has no deferred or pensioner member representation.

Comments on ratings given above: The Council in its role as Administering Authority has established the Pension Fund Committee and the management of the administration of benefits and strategic management of fund assets clearly rests with this Committee

APPENDIX 4

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND GOVERNANCE COMPLIANCE STATEMENT 2018

Principle B - Representation

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:

i) employing authorities (including non-scheme employers, e.g., admitted bodies);
ii) scheme members (including deferred and pensioner scheme members),
iii) where appropriate, independent professional observers, and
iv) expert advisors (on an ad-hoc basis).

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

	Non Compliant				Fully Compliant
a)				√	
b)					√

Reason for non-compliance

Item a) ii) LBWF does not have direct representation for deferred ex-members or pensioners, because of difficulty of identifying candidates and communicating with this constituency.

Comments on ratings given above: The Pension Fund Committee has appointed an Independent Advisor whose role includes providing advice and support on governance issues.

APPENDIX 4

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND GOVERNANCE COMPLIANCE STATEMENT 2018

Principle C - Selection and role of lay members

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Non Compliant				Fully Compliant
a)					√
b)					√

Reason for non-compliance

Comments on ratings given above: Training in respect of their roles and responsibilities was provided to Members and Observers of the Pension Fund Committee during their meetings held in June 2017

Principle D – Voting

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

	Non Compliant				Fully Compliant
a)				√	

Reason for non-compliance

Comments on ratings given above:
The Pensions Fund Committee received a report at its first meeting concerning the appointment of observers. This report was clear that observer posts carried no voting rights and the reason for taking this approach. Observers, however, have the right to speak and ask questions at meetings of the Pension Fund Committee

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND GOVERNANCE COMPLIANCE STATEMENT 2018

Principle E – Training/Facility time/Expenses

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken

	Non Compliant				Fully Compliant
a)					√
b)					√
c)					√

Reason for non-compliance

Comments on ratings given above: The Pension Fund Committee approved a Pensions Knowledge and Skills Framework in 2010 and updated this in 2015. The Independent Advisor, Fund Actuary and Investment Consultant deliver training to the Committee in line with this framework.

Principle F – Meetings (frequency/quorum)

a) That an administering authority's main committee or committees meet at least quarterly.

b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

c) That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented

APPENDIX 4

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND GOVERNANCE COMPLIANCE STATEMENT 2018

	Non Compliant				Fully Compliant
a)					√
b)			n/a		
c)			n/a		

Reason for non-compliance

Comments on ratings given above:
Item b) There is no secondary committee or panel.
Item c) Lay members are included as observers to the Pensions Fund Committee (the main committee)

Principle G - Access

a) That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

	Non Compliant				Fully Compliant
a)					√

Reason for non-compliance

Comments on ratings given above: All Members of the Pension Fund Committee and Observers have equal access to committee papers, documents and advice.

Principle H – Scope

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

	Non Compliant				Fully Compliant
a)					√

Reason for non-compliance

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND GOVERNANCE COMPLIANCE STATEMENT 2018

Comments on ratings given above: The role of the Pension Fund Committee covers Fund Governance, Investment and Pensions Administration. The maintenance of the strategies, statements and reports, for example the Funding Strategy Statement, required by the LGPS Regulations

Principle I – Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

	Non Compliant				Fully Compliant
a)					√

Reason for non-compliance

Comments on ratings given above: Item a) Newsletters are circulated to scheme members and pensioners on scheme issues. These have been used to advertise representative vacancies as they arise. This Governance Compliance Statement will be published as part of the Pension Fund Annual Report as required by the Regulations and will be available to stakeholders on the Council's website.

Local Pension Board

The London Borough of Waltham Forest has in accordance with Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) established a Local Pension Board. Therefore, role of the Pension Board as set out in the Terms of Reference of the Pension Board, as agreed by the full Council in March 2015, is to assist the Administering Authority to

- Secure legal and regulatory compliance including requirements imposed in relation to the LGPS by the Pensions Regulator

- Ensure the effective and efficient governance and administration of the Pension Fund

The Board shall comprise of equal numbers of Employer and Employee representatives. The Terms of reference require at least two Employee two employer representatives. There is provision for the appointment of an

Independent Chair, in November 2017 an independent Chair was appointed to the Pensions Board. During the period to March 2018 the Board consisted of two Employer and two Employee representatives.

Under the Terms of Reference the Board will meet twice in any municipal year. The Chair or Director of Finance has the power to call additional extraordinary meetings.

The Pension Board Annual Report 2017/18 is attached as Appendix 8 of this Pension Fund Annual Report

APPENDIX 5

London Borough of Waltham Forest Pension Fund Communications Policy Statement 2018

1. The principal objectives of this Communications Policy shall be as follows:
    - to communicate the provisions and requirements of the Local Government Pension Scheme accurately to all stakeholders;
    - to identify and meet all regulatory requirements regarding provision of information;
    - to promote appropriately membership of the Scheme to employees of participating employers;
    - to communicate clearly to all stakeholders their own responsibility for communications and information flows in relation to the Scheme, and work with these other parties to improve efficiency of communications as needed;
    - to ensure communications are made in a timely manner;
    - to use a variety of means for communication, depending on the purpose and content of the communication, and recognising that different styles and methods will suit different stakeholders.

2. The major stakeholders for the purpose of this policy are as follows:
    - Members
    - Representatives of members
    - Prospective members
    - Employers

3. Day-to-day responsibility for the operation of the policy shall be delegated to the Pension Shared Service (benefits administrator of the fund) and Human Resources (where it is relevant recruitment and appointment of Staff). Their functions shall include the following:
    - Arranging for the communications describing the Scheme in Waltham Forest, ensuring all new members on joining and any other members have this information.
    - Producing and sending annual benefit statements to all active members
    - Giving prompt and accurate replies to all correspondence and enquiries received
    - Arranging for appropriate and accurate information to be published on the LBWF website
    - Providing a separate e-mail address for members to contact
    - Providing access to the LGPS website
    - Ensuring prospective new members are advised of the benefits of the Scheme as part of the induction process

4. This statement shall be revised by the Pensions and Treasury Manager if there is any material change in the Administering Authority's Communications Policy.

APPENDIX 6

London Borough of Waltham Forest Pension Fund Risk Register

Updated June 2018

Ref	Directorate	Corporate Strategy	Category	Risk Title	Risk Owner	Risk Champion	Status	Uncontrolled Profile	Current Profile	Review Date
PEN0001	Pensions	Return on Investment	Operational	Under performance of one or more of the pension fund investment managers leading to poor performance of the fund, loss of assets etc.	Debbie Drew	Brian Moldon	Treat	High	Medium	11/06/2018
PEN0002	Pensions	People Focused	Operational	Failure to comply with the legal requirements associated with the pension fund, including maintaining and updating annual strategies, policies, statements and financial reports, resulting in qualified account by external audit.	Debbie Drew	Brian Moldon	Treat	Medium	Negligible	11/06/2018
PEN0003	Pensions	Return on Investment	Operational	Incorrect actuarial assessment / triennial valuation of the pension fund leading to unrealistic levels of funding.	Debbie Drew	Brian Moldon	Treat	High	Medium	11/06/2018
PEN0006	Pensions	People Focused	Operational	Breach of legislation - Data Protection, Human Rights, GDPR etc. Failure to maintain personal and sensitive information in a	Debbie Drew	Brian Moldon	Treat	Medium	Low	11/06/2018

London Borough of Waltham Forest Pension Fund Risk Register

Updated June 2018

				confidential manner leads to unauthorised disclosure to a third party.						
PEN0008	Pensions	People Focused	Operational	Fraud Service is subjected to significant or persistent fraudulent activity from internal or external sources leading to losses.	Debbie Drew	Brian Moldon	Withdrawn	Low	Low	11/06/2018
PEN0009	Pensions	People Focused	Operational	Loss of IT / Communication facilities Failure of the IT and telecommunications systems means that prevents services from accessing Council wide and/or local applications.	Debbie Drew	Brian Moldon	Treat	Low	Low	11/06/2018
PEN0011	Pensions	People Focused	Operational	Increase in Pension Fund deficit There is a risk of pension fund deficit increasing due to economic downturn, poor investment returns or a change in members longevity increasing. This	Debbie Drew	Brian Moldon	Treat	Medium	Medium	11/06/2018

London Borough of Waltham Forest Pension Fund Risk Register

Updated June 2018

	could impact on the Pension Funds valuation in 2019, leading to higher employer contributions for the Council.	

APPENDIX 7

THE LONDON BOROUGH OF WALTHAM FOREST

PENSION FUND

PENSION ADMINISTRATION STRATEGY

June 2018

INTRODUCTION

This is the Pension Administration Strategy of the London Borough of Waltham Forest Pension Fund, administered by the London Borough of Waltham Forest (the Administering Authority). It has been prepared in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013, as amended. The strategy has been developed following consultation with employers who participate in the London Borough of Waltham Forest Pension Fund, schools who employ their own payroll providers and The Pension Shared Service partnership with 3 other London Boroughs Wandsworth (Richmond has now merged with Wandsworth), Camden and Merton (hosted by the London Borough of Wandsworth) who undertaken the pensions benefit administration on behalf of the Fund from 1 February 2016.

The aim of the Pension Administration Strategy is to set out the responsibilities, quality and performance standards expected of the London Borough of Waltham Forest in its role as Administering Authority and scheme employer, as well as all other employers within the Fund (including for example Academies, Schools and private sector bodies) and the Pension Shared Service partnership in its pensions benefits administration role. The strategy seeks to promote positive working relationships, improve efficiency, quality and governance of the Fund.

The introduction of a new Local Government Pension Scheme from 2014 provides a further and important reason for the introduction of a Pension Administration Strategy as under a Career Average Scheme administration for the Administering Authority and employers will become significantly more complex. A Career Average scheme will require that the annual salaries of Active members are accurately provided in a timely manner by employers to the Administering Authority/ its shared service partners Benefits Administrators. This will be fundamental to the accurate calculation of benefits.

This Pension Administration Strategy also sets out the circumstances and procedures the Fund will apply, in accordance with Regulation 70 of the Local Government Pension Scheme Regulations 2013, as amended, for recovering costs from an Employer where costs have been incurred by the Fund because of an Employers' levels of performance in carrying out its functions under the Local Government Pension Scheme Regulations.

IMPLEMENTATION

This Pension Administration Strategy has been subject to consultation with employing authorities in accordance with Regulation 59(4) of the Local Government Pension Scheme Regulations 2013, as amended. This document has been considered and approved by the Pensions Committee of the London Borough of Waltham Forest at its meeting held on 28th June 2018. Therefore this Pension Administration Strategy applies to the London Borough of Waltham Forest as both the Administering Authority and a scheme employer and to all other existing and future employers within Fund from 28 June 2018.

REGULATORY FRAMEWORK

Under Regulation 59 of the Local Government Pension Scheme Regulations 2013, as amended issues that can be covered in a Pension Administration Strategy include:

- Procedures for liaison and communication with Employing Authorities.

- Establishing levels of performance which the Administering Authority and Employing Authorities are expected to achieve through performance targets or agreements about levels of performance.

- Procedures for improving communication.

- Circumstances in which the Administering Authority may consider giving written notice under Regulation 70 of the Local Government Pension Scheme Regulations 2013 of its intention to recover additional costs it has incurred as a result of unsatisfactory performance by an Employing Authority in carrying out its functions.

- The publication by the Administering Authority of Annual Reports in respect of performance achieved.

- Such other matters as, after due consultation, it considers to be suitable for inclusion in the Strategy

Once an Administration Strategy is approved it must be kept under review and revised if there are major changes to any matter covered in the strategy.

The Administering Authority must consult the Employing Authorities in preparing and revising the Pension Administration Strategy.

The Administering Authority must publish its Pension Administration Strategy and send a copy to each Employing Authority and the Secretary of State. Revisions must also be sent to Employers and the Secretary of State.

LIAISON AND COMMUNICATION BETWEEN THE FUND AND EMPLOYERS

The London Borough of Waltham Forest Pension Fund has published a number of documents in respect of statements of policy and procedures including the following

- Communication Policy
- Governance Compliance Statement
- Investment Strategy Statement
- Funding Strategy Statement
- Annual Report

The delivery of an effective service by the Fund to scheme members and other stakeholders is not solely the responsibility of the London Borough of Waltham Forest in its role as Administering Authority. The Council in its role as Administering Authority and Employing Bodies have a joint role and responsibility to ensure a high quality cost effective administrative service is provided. Effective liaison and communication between the Administering Authority, Employing Bodies and The Pensions Shared Service (hosted by the London Borough of Wandsworth) (as at 1 February 2016) in its pensions benefit administration role is therefore crucial. Examples of the requirements of both the Administering Authority and Employers in respect of liaison and communication are set out below:

Designated Named Individual

Each Employing Body will designate a named individual to act as the main point of contact with regard to any aspect of administering the Local Government Pension Scheme (LGPS). The name of the designated individual, plus a deputy to act in their absence, will be communicated to the Administering Authority and the Pension Shared Service in its role as pension benefits administrator. Each Employer will immediately inform both the Administering Authority and the Pension Shared Service of any change in respect of the main or deputy point of contact.

The key responsibility of the individual main point of contact will be to:

- Act as a link for communications to appropriate staff within the Employer – for example Human Resources, Payroll, the Director of Finance
- To ensure that standards and levels of service are maintained
- To ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund and the Pension Shared Service of any changes immediately
- To arrange distribution of communications literature as and when required
- To assure data quality and ensure the timely submission of data to the Fund and any of its agents including the Pension Shared Service and the Fund Actuary.
- To attend, if at all possible, seminars held by the Administering Authority

Employer Seminars and Training

The Fund holds periodic Employer Seminars and Training events. At these sessions the Fund Officers, the Fund Actuary and the Pension Shared Service will provide information, advice and training on a range of issues including Administrative matters, the Actuarial Valuation process & Fund Finances and Investment approaches & performance. Attendance by each Employers main contact and Senior Management is strongly recommended.

Policy Discretions

Each employer must produce, publish and maintain a statement of policy regarding the exercise of discretions available to them under the LGPS Regulations. This policy statement must be kept under review and where revisions are made the revised policy statement must be sent immediately following its approval to the Fund, the Pension Shared Service, and made readily available to all employees within the Employing Body.

Internal Disputes Resolution Procedure

Each Employing Body is required to nominate and name the person to whom applications under Stage 1 of the Internal Dispute Resolution Procedure (IDRP) should be made. The name, job title and contact details of this nominated person must be communicated to both the Fund and the Pension Shared Service. Any changes in relation to the nominated person should be communicated to the Fund and the Pension Shared Service immediately.

PERFORMANCE STANDARDS

Certain actions and decisions must be taken by either the Fund (Administering Authority) or the relevant employer, in relation to the rights and entitlements of individual scheme members. To meet these obligations the Fund (after consultation) has agreed Levels of Performance between itself and employers which are set out below and which take into account the requirements of overriding legislation, internal standards and timeliness.:

Overriding legislation

The Administering Authority and employers will, as a minimum, comply with overriding legislation including:

- Local Government Pension Scheme Regulations
- Public Service Pensions Act 2013
- Pensions Act 1995
- Pensions Act 2004
- Freedom of Information Act 2000
- Data Protection Act 2018 and General Data Protection Regulation 2018
- Finance Act 2004
- Health and Safety legislation
- Any other legislation that may apply at the current time

And any future amendments to the above legislation.

Where specified in this Pension Administration Strategy, the Fund and Employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation.

Internal standards

The Fund and employers will ensure that all functions and tasks are carried out in accordance with the following quality standards:

- Compliance with all requirements set out in the Employers' Guide
- Information to be legible and accurate
- Communications to be in a plain language style
- Information provided to be checked for accuracy by an appropriate member of staff
- Information provided to be approved by an authorised member of staff
- Actions carried out, or information provided, within the timescales set out in this Pension Administration Strategy

Timeliness

Overriding legislation and regulations set minimum standards that Administering Authorities and Employers within the LGPS must meet in providing certain information to the various parties associated with the Scheme. Local performance indicators, for the London Borough of Waltham Forest Scheme, have been determined, where appropriate going beyond the overriding legislative and regulatory requirements.

Levels of Performance

Payment of monthly contributions to the fund - to be received by the fund by the 19th of the month following the deduction of the contributions.

Provision of monthly payroll schedules containing contribution information (to include pensionable pay and any AVC or additional pension deductions) required - to be received by e-mail by the 19th of the month following the deduction of the contributions.

Provision of end of year payroll information - to be received by 15 April each year.

Provision of starter and leaver forms - to be sent to the funds benefits administrator within 5 working days of the event. Evidence that these forms have been sent is require by auditors in case of review. Copies of these documents should be retained by each employer.

RECOVERY BY THE ADMINISTERING AUTHORITY OF ADDITIONAL COSTS

Regulation 70 of the Local Government Pension Scheme Regulations 2013, as amended, permits an Administering Authority to recover from an Employer any additional costs incurred as a result of the poor level of performance of that employer. Where an Administering Authority wishes to recover such costs they must give notice in writing setting out the reasons for considering that additional costs should be recovered, the amount of the additional costs, the basis on which the additional cost has been calculated and the provisions of the Pension Administration Policy which are relevant to the decision to levy additional costs.

The London Borough of Waltham Forest in its role as Administering Authority will seek to work with an employer to identify areas of poor performance, set out in writing areas of poor performance, meet with the employer, provide any necessary training and put in place an improvement plan.

Where however, after the provision of advice and assistance from the Administering Authority, poor performance continues then the additional costs incurred will be recovered from the Employer.

Circumstances where additional costs will be recovered from an Employer are:

- Ongoing failure to provide relevant information to the Administering Authority, the Pension Shared Service, the Fund Actuary, a scheme member or other interested party in accordance with specified performance targets either through failures in quality of information or timeliness of delivery.
- Failure to pass relevant information to scheme members or potential members either due to poor quality or failure to adhere to timescales in the performance targets of this strategy.
- Failure to deduct and pay over correct employee and employer contributions to the London Borough of Waltham Forest Pension Fund within the stated timescales.
- Where the performance of the scheme employer results in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman or any other regulatory body.

REVIEW OF THE PENSION ADMINISTRATION STRATEGY

The London Borough of Waltham Forest in its role as Administering Authority will keep this strategy under review. At least every three years the Fund will undertake a formal review of the strategy in consultation with Employers.

A current version of the Pension Administration Strategy will be provided to the Secretary of State, Employers and will be available on the Fund website.

Updated June 2018

APPENDIX 8

Annual Report of Waltham Forest Pension Board

1 Constitution, Representation and Attendance

The London Borough of Waltham Forest LGPS Local Pension Board ("the Board") was constituted under the Public Service Pensions Act 2013 and held its first meeting as required by 28 January 2016. It consists of two representatives of the Scheme employers, and two representatives of the Scheme members, who can vote. The Board met on two occasions during the year, and each meeting was quorate. Such meetings are open to the public, other than when considering exempt items.

To facilitate the operations of the Board, the Board members are invited as observers to meetings of the London Borough of Waltham Forest Pensions Committee ("the Committee").

2 Functions and Operation of the Board

2.1 The two primary functions of a Local Pension Board are to assist the Administering Authority to:

- Ensure effective and efficient governance and administration of the LGPS;
- Ensure compliance with relevant laws and regulation.

2.2 It therefore has a monitor/assist/review purpose, rather than being a decision making body. It could be seen as being a critical friend. As such, the general approach of the Board is to seek assurances with evidence from the Fund that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.

2.3 In so doing, the Board is helping manage the reputational risk of the Fund, and of the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Department for Communities and Local Government (DCLG) and the Pensions Regulator as its regulators.

2.4 The Board operates under Terms of Reference which were initially agreed by Waltham Forest Council in March 2015.

2.5 The Board is supported by the Democratic Service Officer and the Pension Fund Officer.

2.6 The Board is not a Committee of the Council, but is established under the Public Service Pensions Act 2013. Members of the Board can be fined by the Pensions Regulator, as indeed can the Administering Authority.

2.7 In November 2017 an Independent Chair to the Pensions Board was appointed along with a new member representative due to the retirement of the previous member representative.

2.8 In 2017/2018 the direct costs of operating the Board, covering travel and training expenses relating to board members amounted to nil. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or

services recharged to the Fund by the Council. There was no specific budget in this period but going forward a budget will be set based on experience gained and approval of the Pension Fund Committee. The Board is mindful of delivering value for money, and endeavours to work in a cost-effective manner. Should the Board feel the need to bring in an external specialist, it can do so with the agreement of the Director of Finance. Whilst no such external expertise was bought in during 2017/18, the Board did receive presentations by senior pension's officers, the Independent Advisor and Actuary of the Administering Authority, which helped the Board assess strengths, vulnerabilities and challenges in this area.

3 Detailed Work of the Board

3.1 Pension Board Terms of Reference

In November 2017 an Independent Chair was appointed to the Pension Fund Board.

3.2 Investments, Performance Monitoring and Fees

The Board received reports on the following in the year-: Investment Regulations, the fund's Investment Strategy Statement, UK Stewardship Code, SAB Cost Transparency Code and the Pension Fund Annual Report and Accounts 2016/17 and appendices.

3.3 Pensions Administration

The Board received a report on Performance of the Administration Service and other Administration matters.

3.4 Work Plan and Training

The board received a report on Work Plan and Training.

Each Board member has to be conversant with the details of the Scheme, which translates as having a good working knowledge. The training policy for Board members is based on an individual training needs analysis (TNA) and is therefore being individually tailored. This allows use of both the CIPFA Framework and the Pension Regulator's Toolkit. In addition, Board members are informed of external training opportunities.

3.5 Governance

The Board received reports on the Pension Funds Actuaries and Consultants contract, the Independent Advisor to the Fund and Auto-enrolment.

The Chair of London Borough of Waltham Forest LGPS Local Pension Board wishes to thank his fellow Board members who have volunteered their time and energies for these roles. Thanks are also expressed to the Democratic Services Officer, Pension Fund Officers and Chairman of the Pensions Fund Committee.

Chris Buss
Independent Chair
London Borough of Waltham Forest LGPS Local Pension Board