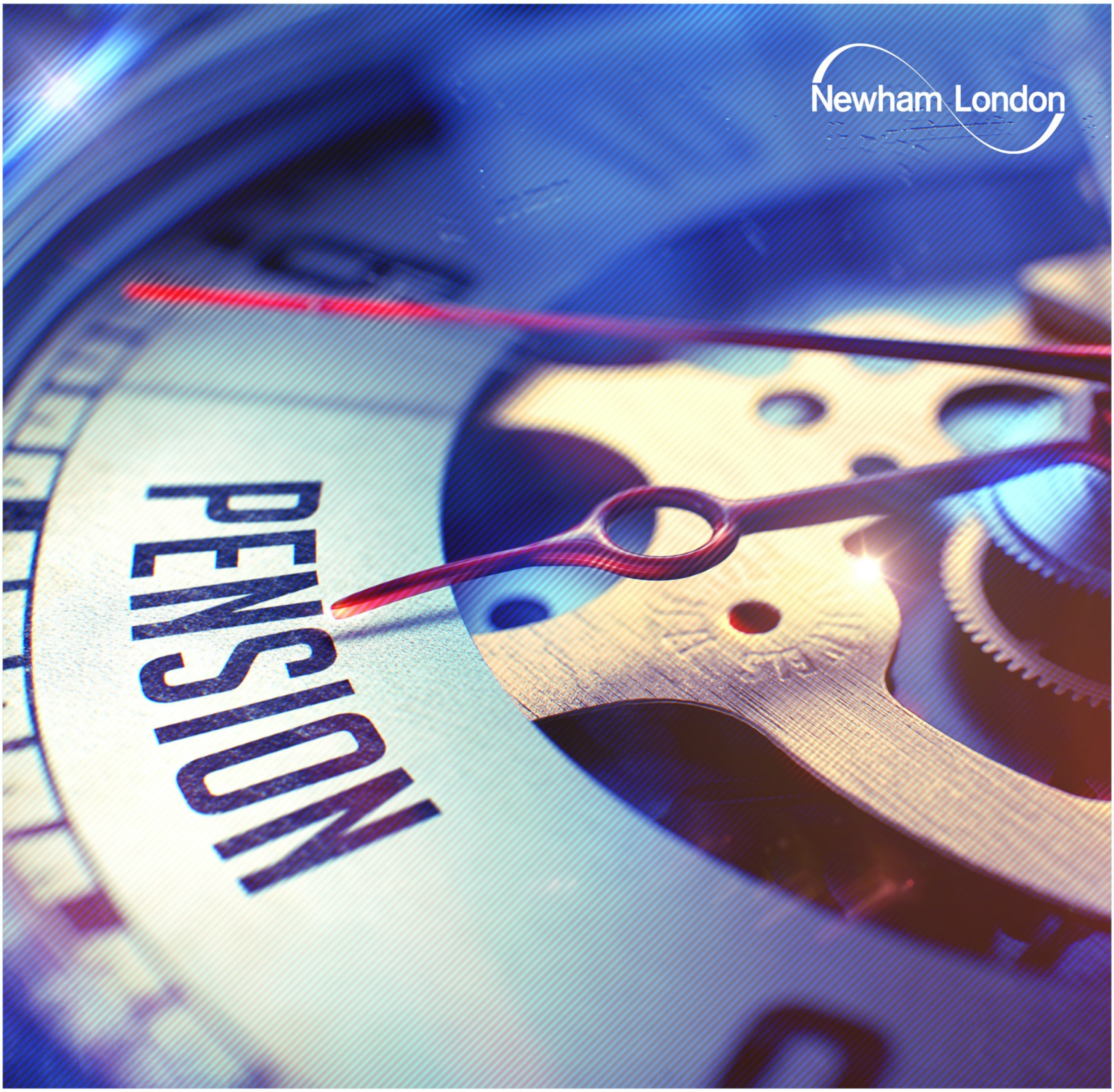

Newham Pension Fund
2019/20 Annual Report

PROFESSIONAL PENSIONS
PENSION SCHEME OF THE YEAR AWARDS 2017
FINALIST

PENSION SCHEME REGISTRATION NUMBER 10165250

LAPF INVESTMENTS AWARDS 2019
FINALIST

LGC Investment Awards 2016
WINNER

LAPF INVESTMENTS AWARDS 2017
SECURE INCOME STRATEGY OF THE YEAR
WINNER

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Member's Introduction

Chair's comments

I have been the Chair of the Pensions Committee ('PC') since May last year having previously served as a member on the PC. As Chair and on behalf of my fellow committee members, I am pleased to introduce the 2019-20 annual report and accounts.

As today's stewards of the Local Government Pension Scheme and the Newham Pension Fund ("the Fund"), my colleagues on the PC, the members of our Local Pension Board and Fund Officers take very seriously their responsibilities to all stakeholders – including 29,168 scheme members, and 54 active employers – ensuring that the scheme is locally administered effectively and efficiently on their behalf.

There was a severe downturn in global financial markets caused by the Covid-19 pandemic declaration on the 11 March 2020 with the 31 March 2020 coinciding with the turning point that resulted in an almost equal recovery in the next quarter. Based on PIRC 2019/20 analysis of LGPS Investment performance the Fund's net assets contracted by minus 3.6% over the year outperforming the LGPS average of minus 4.6%. Investment performance should always be viewed over the longer term and I am pleased to report that the Fund has shown solid performance over that period which is exactly what you want to see in investment terms.

The Fund was last valued by the actuary as at the 31 March 2019 which set the employer contribution rates for 2020-23. I am delighted to announce the actuary reported that the Funding level has improved to 96%, an improvement on the 85% funding level reported in the previous actuary valuation as at 31 March 2016. The improvement is due mainly to strong investment returns, which has provided much-needed savings to the Council's Budget Strategy.

The Fund received further sector recognition by winning the 'Highly Commended Fund award in the 'below £2.5bn, Investment Strategy of the Year category.

We welcomed several new members to the PC following the Council AGM 2019 and a key priority has been to put in place a robust training and development program.

As a Committee, we are also very conscious of our responsibilities as investors and are committed to demonstrating good corporate governance and responsibility via our investment strategy. The Council has recently declared a climate emergency, which coincided with the Fund completing its ESG review. PC members attended ESG training which led to the development of an ESG policy in March 2020. The PC recognizes that companies that have strong ESG policies and processes tend to perform better over the longer term and the PC seeks to collaborate with other LGPS Funds and investors to make an impact in terms of responsible investment that works in lock step with its fiduciary responsibilities.

The PC explored opportunities within local social and affordable housing as this mandate was not available through the London CIV culminating with the successfully appointment of a Social Housing Fund manager. The PC also appointed an Absolute Return Bond Fund manager to enhance cash returns pending deployment into long-term assets and also put in place ahead of the pandemic further risk mitigation measures to help stabilize investment volatility.

The PC has worked closely with the LCIV to help shape new strategies that are more closely aligned with the Fund's investment strategy. Decisions regarding the transfer of assets to the LCIV are being considered where there is strategic alignment. Discussions with the LCIV have been constructive particularly following the establishment of the new LCIV leadership team and the Committee is hopeful that through further dialogue we may get to a position where some Fund assets can be transferred into suitable LCIV sub funds.

2020/21 will be another very busy year for the PC not least managing the continued uncertainty caused by Covid-19 that has created challenges not seen for a generation and where holding onto the investment gains built up over many years will remain a top priority.   There is also a large regulatory change agenda to deal with such as McCloud, Cost transparency and scheme governance to name but a few.

As chair of the PC and along with my committee colleagues will remain resolute in our determination to maintain a decent pension scheme for the membership, recruit new members especially in those groups that are under-represented, invest responsibly, and provide excellent value for council tax payers, employers and other stakeholders of the Fund.

Nareser Osei

Councillor Nareser Osei
Chair of the Pensions Committee

Highlights of 2019/20

- **LAPF Investment Awards**

The Fund was shortlisted for the LAPF Investment Awards 2019 in the following categories:

  - LGPS Fund for the Year 2019 below £2.5Bn
  - LGPS Investment Strategy of the Year 2019; and
  - Scheme Governance Award 2019.

The Fund received recognition in the LGPS Fund for the Year 2019 below £2.5Bn category as highly commended.

- **Triennial Valuation 2019**

Every three years the Council and other employers in the LGPS are required to have an actuarial valuation of its Pension Fund. The 2019 triennial valuation sets the revised employer rate that came into effect in 2020/21. This work was carried out collaboratively between the Fund's actuary, LPP and Newham Council.

- **Pre-funding Strategy**

The Council sought to prepay LGPS contributions for 36 months from April 2020 to March 2023. This was agreed and savings generated from the prefunding strategy would be incorporated within the Council's Budget Strategy for the next three years from 2020/21.

- **Environmental, Social and Governance (ESG)**

The Fund has undertaken a review of its current investment policies and the existing investment portfolio from the perspective of the climate emergency and developed an ESG policy that reflects this these considerations. The Committee are committed to the long-term aims of its ESG Policy. In the short-term, they will apply the Policy pragmatically, as much as possible and continue to monitor opportunities in the investment industry such that they can apply the Policy more fully as time passes.

- **Transparency Code**

The new cost transparency initiative, introduced by the Scheme Advisory Board, provides an industry standard for the recording and reporting of investment expenses. The process improves transaction cost reporting, highlighting the true cost of managing and provides greater cost analysis on investment expenses.

- **Independent Adviser**

In recognition of the number of new members on the Committee and a new Chair it was felt that their training and development would be enhanced by appointing a new adviser to specifically support them in this capacity

- **Investment Strategy – Local Social Housing Schemes**

The Fund explored opportunities within local social and affordable housing as these mandates were not available with the LCIV. The Fund has successfully appointed a Social Housing Fund Manager to this mandate.

- **Investment Strategy – Absolute Return Bond Fund**

The Fund also explored low risk bond funds to enhance returns whilst monies are waiting to be deployed into long-term assets and has nominated an Absolute Return Bond Fund manager.

The Fund's outlook for 2020/21

- **McCloud/ Sargeant Outcome**

There are uncertainties around future benefits, relating to the McCloud and Sargeant cases and the ongoing cost-cap management process. The government plans to issue consultations on changes to public service pension scheme regulations later in the year on the future and historic LGPS benefits structure.

- **COVID-19 Impact**

The pandemic has created market volatility and economic uncertainty affecting the value of the assets in the Fund. There may also be an impact on the pension liabilities in the Fund. At this time, it is too early to determine the full impact that the pandemic will have on the Fund.

- **Pooling of Assets & Collaborative Working**

The Fund is actively engaged with the LCIV – the Chair attends the LCIV General Meetings, votes on motions there, and holds quarterly meetings with them alongside officers. The Fund is reviewing the investment opportunities available within the LCIV, which will deliver the Fund's investment strategy and ensure that fees are kept at a minimum.

LPGS 2013 (as amended)

The LGPS regulations 2013 came into effect on 1 April 2014. The key changes under the new scheme are set out in the table below:

	LGPS 2008	LGPS 2013
Basis of Pension	Final Salary	Career Average Revalued Earnings (CARE)
Accrual Rate	1/60th	1/49th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours for part time staff
Contribution Flexibility	No	Yes – 50:50 option where members pay 50% contributions for 50% of the pension benefit
Normal Pension Age	65	Linked to the State Pension Age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	No change - trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	No change - 3 x Pensionable Pay
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI

Employee Contribution Table 2019/20

Employee contribution rates are tiered as shown in the table below and contribution rates for part time members are based on actual pensionable pay, rather than full time equivalent pay. The 50:50 Scheme provides contribution flexibility for members. For more information about member benefits, changes to the scheme and the impact of the changes on your pension, please see www.yourpension.org.uk/newham or contact LPP.

Salary Band £	Employee Contribution rate	
	Main Section	50/50 Section
0 – 14,400	5.5%	2.75%
14,401 – 22,500	5.8%	2.90%
22,501 – 36,500	6.5%	3.25%
36,501 – 46,200	6.8%	3.40%
46,201 – 64,600	8.5%	4.25%
64,601 – 91,500	9.9%	4.95%
91,501 – 107,700	10.5%	5.25%
107,701 – 161,500	11.4%	5.70%
161,501 or more	12.5%	6.25%

Fund Governance & Statutory Information

Fund Governance

The Fund is part of the LGPS. The benefits paid out and the scheme regulations are set nationally, but the Fund is managed and administered locally. As administering authority, the London Borough of Newham (LBN) has legal responsibility for the effective management of the Fund. The Council delegates this responsibility to the Pensions Committee, which is the formal decision making body for the Fund.

Pensions Committee

The Committee consists of fourteen Councillor Members of which six are substitutes, co-opted trade union representatives and an independent committee advisor.
The Councillor members from 16 May 2019 were:

Chair – Councillor Nareser Osei (4/4)Chair

Vice-chair – Councillor Joshua Garfield (4/4)

Councillor Nazir Ahmed FRSA (3/4)

Councillor Zulfiqar Ali (2/4)

Councillor James Asser (2/4)

Councillor John Gray (2/4)

Councillor Nilufa Jahan (4/4)

Councillor Tonii Wilson (1/4)

The Councillor substitute members were:

- Councillor Winston Vaughan
- Councillor Daniel Blaney
- Councillor Anamul Islam
- Councillor Moniba Khan
- Councillor Harvinder Singh Virdee
- Councillor Zuber Gulamussen

Co-opted trade union representatives during 2019/20 were Brenda Bedminster (Unite) , Gloria Hanson (Unison) and Stella Ikanik (GMB).

The independent committee advisor for 2019/20 was Forhad Hussain.

The Committee meets quarterly to discuss investment strategy, legislation changes and developments that may affect the Fund, and to review the performance of the fund managers. The Committee may also arrange meetings on an ad hoc basis as required, and attend training sessions throughout the year. During 2019/20 the Committee met 4 times (excluding training sessions) – the number of meetings attended by each member is shown above.

Local Pensions Board

The Local Pensions Board (LPB) provides support to the Committee and helps strengthen overall fund governance, increase transparency and compliance with LGPS regulations.
The LPB consists of four members consisting of two employer and two employee representatives. The members during 2019/20 were:

- Catherine Hanlon
- John Holland
- Veronica Holley
- Tejonidhi Kashyap (independent Chair)
- Councillor Salim Patel
- John Saunders
- Donford Vardon

Pensions Board Annual Report 2019/20

Purpose of Report

1. The report is compiled to provide feedback on the work undertaken during 2019/20 by the Local Pensions Board and to meet the legislative requirement for producing an annual report.

Background

2. The London Borough of Newham Pension Fund Local Pensions Board ("Board") was established in accordance with changes to the Public Service Pension Act 2013 (PSPA13) statutory pension scheme that is connected with it.
3. The Board is supported by officers of the London Borough of Newham Administering Authority ("Administrator"), by the appointment of an Independent Chair, and by assurance statements and information provided by external service providers to London Borough of Newham Pension Fund ("Fund").
4. There are three employer representatives and three scheme member representatives.
5. The Board has met twice in the Municipal Year 2019-20.
6. The costs of the Board's operations are charged to the Pension Fund and are included in the Fund budget.

Membership and Attendance at Meetings

7. The Membership of the Board is:

Independent Chair	Tejonidhi Kashyap
Employee Representative	Catherine Hanlon (GMB)
Employee Representative	Donford Vardon (UNITE)
Employee Representative	Veronica Holley (UNISON)
Employer Representative	John Hollands
Employer Representative	John Saunders

Chair's Comments

8. I took on the Chair role in January 2020. I would like to thank the members of the Board and the officers for their hard work and dedication, particularly for revitalising the Board in November 2019.
9. The Covid-19 outbreak has created new challenges but the officers, employees, service providers, my colleagues on the Committee and the Board, have taken them on to ensure the effective and efficient service to our scheme members and employers.
10. As the Chair, I seek to ensure the Board and all those involved in the Fund's Administration act solely in terms of public interest, with integrity, objectivity, accountability, openness, honesty and with leadership.
11. Over 2020/21, the Board will endeavour to ensure that the Committee follows due process with regard to their decision-making, and their decisions for the Fund are sound and made with integrity. The Board will continue to seek assurance that Administration performance complies with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.

Tejonidhi Kashyap

Chair of the Board

Business Plan and Execution

12. The Board has created a Business Plan available here <HYPERLINK TO BE ADDED>
13. In the period from November 2019 to March 2020, the Board has considered a number of matters, some of which are listed below

    a) Adherence to regulations
       - i. Pension Fund Annual Report and Accounts.
       - ii. Changes to regulations and guidance.
       - iii. LGPS exit cap and McCloud judgement to understand the impact on employees, the Fund and any Administrative implications.
       - iv. Training needs analysis

    b) Governance
       - I. Governance and Policy Statement
       - II. Creation of the Board's Business Plan

    c) Administration
       - I. Administration Performance Reports
       - II. Administration Service Contract
       - III. Service provider Business Continuity Plans
       - IV. GDPR Agreements with service providers
       - V. National Fraud Initiative

    d) Investment and funding
       - I. Funding strategy statement
       - II. Investment strategy

    e) Membership and communication
       - I. Communication policy
       - II. Overpayment of Pensions policy
       - III. Ill health and Death in service risk management
       - IV. Risks related to Admitted and scheduled bodies

f) Record keeping
   I. Pensions re-enrolment
   II. Guaranteed minimum Pension reconciliation exercise

There have been no conflicts of interest involving any of the work undertaken by the Board or during any agenda items.

Review of Risks

14. The Board has asked to see the risk register on a regular basis. The Board seeks to ensure greater consideration on particular investment and non- investment risks identified to drive its work forward.

Forward Plan for 2020/21

15. The Board has asked the officers of the Administrator to provide reports tailored to the agreed business plan. This will help the Board add more value to the work of the Committee and the Administrator.

16. The Board has asked the officers of the Administrator and the Committee to consider the training needs of the Board Members. Whilst training has been impacted by the outbreak of Covid-19 and there has been limited progress during 2020, the Board expects its members to be trained according to their individual training needs.

17. Further information regarding the Newham Local Pension Board including minutes of the meetings are available at www.yourpension.org.uk/handr and then by clicking on the Newham Pension Fund tab followed by the Local Pensions Board option.

Management and Advisors

The work of the Committee is supported by a number of officers, advisors and external managers as set out below.

Responsible Officers

Pensions and Treasury team in the oneSource Finance service ensures that members of the Committee receive advice on investment strategy and monitoring of the managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the Fund.

Conrad Hall	Corporate Director of Resources	020 3373 4219
Stephen Wild	Head of Pensions and Treasury	020 3373 3881
Rakesh Rajan	Pension Fund Manager	020 3373 6595

The oneSource Exchequer and Transactional Service monitor and manage the pension's contractors. The team is a contact point for employees who wish to join the scheme, for advice on procedures and for queries and complaints.

Sarah Bryant	Director of Exchequer & Transactional services	01708 432 233
Ian Weavers	Pensions Manager	020 3373 8408

Scheme Administrator

LBN contracts out its benefits administration to LPP in accordance with the council's best value arrangements. LPP maintain pension scheme membership records and provide advice, benefits calculations and estimates.

LPP
2nd Floor, 169 Union Street
London SE1 0LL
020 7369 6105

Custodian Bank

The Fund uses Northern Trust as its custodian to hold and safeguard the Fund's assets. The custodian acts as the Fund's bank, settles transactions and is responsible for investment income collection.

Northern Trust
50 Bank Street, Canary Wharf,
London, E14 5NT

In addition to acting as the Fund's custodian, Northern Trust provides performance analysis, comparing the performance of the Fund and individual managers to agreed benchmarks and market indices on a monthly, quarterly and annual basis. Pensions and Investment Research consultants Ltd (PIRC) is used to monitor the Fund against the LGPS universe.

Investment Managers used by the Fund

Day to day investment management of the Fund's assets is delegated to specialist managers in accordance with the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). During 2019/20, the Fund used the following external managers:

Fund Manager	Mandate	Contact Details
Aberdeen Standard	Fixed income	Bow Bells House, 1 Bread Street, London, EC4M 9HH
Arcmont Asset Management	Private debt	77 Grosvenor Street, London, W1K 3JR
Baring English Growth	Private equity	3rd Floor, 11 Strand, London, WC2N 5HR
Brightwood	Private debt	15 Stanhope Gate, London, W1K 1LN
Brockton	Property unit trust	89 Wardour St, Soho, London W1F 0UA
CBRE	Property unit trust	3rd Floor, One New Change London, EC4M 9AF
Cheyne	Social Housing	Stornoway House, 13 Cleveland Row, London, SW1A 1DH
Fiera	Real assets	7th Floor, 16 Berkeley Street, London, W1J 8DZ
HarbourVest	Private equity	Berkeley Square House - 8th Floor, Berkeley Square, London, W1J 6DB
KGAL	Real assets	27 Bush Lane, London, EC4R 0AA
Legal & General	Passive equities and passive bonds	One Coleman Street London, EC2R 5AA
London CIV	Asset Pool Operator	4th Floor, 22 Lavington Street, London, SE1 0NZ
Longview	Unconstrained global equity active	Thames Court, 1 Queenhithe, London, EC4V 3RL
Man FRM	Managed alternatives	Riverbank House, 2 Swan Lane, London, EC4R 3AD
Morgan Stanley	Diversified alternatives	25 Cabot Square, Floor 07, Canary Wharf, London, E14 4QA
Payden and Rygel	Fixed income	1 Bartholomew Lane, London, EC2N 2AX
Permira	Private debt	80 Pall Mall, London, SW1Y 5ES
River and Mercantile	Structured equity	30 Coleman St, London EC2R 5AL
Robeco	High yield credit	Augustine House, 6a Austin Friars, London, EC2N 2HA

Actuary
Barnett Waddingham
163 West George Street
Glasgow, G2 2JJ

Investment Advisor
Barnett Waddingham
2 London Wall Place, 123 London Wall
London,EC2Y 5AU

Economic Advisor
Fathom Financial Consulting
47 Bevenden Street, London, N1 6BH

External Auditor
Ernst & Young LLP
400 Capability Green, Luton, LU1 3LU

Bankers
Lloyds TSB
City Office, PO Box 72, Bailey Drive
Gillingham Business Park, Kent, ME8 0LS

AVC Providers
Utmost Life & Pensions
(formally Equitable Life)
Walton Street, Aylesbury
Buckinghamshire, HP21 7QW

Clerical Medical
PO box 28121
15 Dalkeith Road
Edinburgh
EH16 9AS

Legal Advisors
The Fund receives legal advice from London Borough of Newham's in-house legal team who in turn have taken specialist advice from:

Sackers and Partners
20 Gresham St
London, EC2V 7JE

Bevan Brittan
Fleet Place House, 2 Fleet Place
London, EC4M 7RF

Subscription bodies
The Fund is a member of the Pensions and Lifetime Savings Association (PLSA), the Local Authority Pension Fund Forum (LAPFF), the Institutional Investors Group on Climate Change (IIGCC), Pensions & Investment Research Consultants (PIRC) and the London Pension Fund Forum (LPFF).

Risk Management

The Fund's main risk is that its assets fall short of its liabilities to the extent that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to increase the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee.

In order to manage risks a Pension Fund Risk Register is maintained and reviewed regularly. Risks identified have been reduced through planned actions. The Risk Register is managed by the Director of Exchequer & Transactional Services and the Head of Pensions and Treasury with risks assigned to "Risk Owners".

The Fund's approach to risk management is covered in the following policies:

- Investment Strategy Statement (ISS)
- Funding Strategy Statement (FSS)

- Enviromental, Social & Governance (ESG) Investment Policy
- Governance Policy

Key risks

Risk	Risk Rating	Responsible Officer	Mitigations
Administration Risks			
3rd parties undertaking outsourced administration work are unable to facilitate timely and accurate updating of service records. Inaccuracies in service records may impact on actuarial valuations, calculations of pension benefits and on notifications to starters and leavers.	Medium	Director of Exchequer & Transactional Services	Actuary undertakes data cleansing on service records as part of the triennial revaluation which should identify the extent of any inaccuracies.
Loss of funds through fraud or misappropriation by 3rd parties could lead to negative impact on reputation of the Fund as well as financial loss	High	Head of Pensions and Treasury & Director of Exchequer and Transactional Services	Third parties regulated by the FCA. Separation of duties and independent reconciliation procedures in place. Review of third party internal control reports undertaken by Pensions Finance Team. Periodic internal audits of Pensions Finance and Exchequer & Transactional teams.
Funding Risks			
Scheme members live longer leading to higher liabilities	Medium	Head of Pensions and Treasury & Director of Exchequer and Transactional Services	Review at each triennial valuation
Assumed levels of inflation and interest rates may be inaccurate leading to higher than expected liabilities.	Medium	Head of Pensions and Treasury	Review at each triennial valuation
Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by other employers.	Medium	Director of Exchequer and Transactional Services	Transferring admission bodies required to have a bond or guarantor in place. Regular monitoring of employers.
Investment Risks			
Fund managers fail to achieve agreed returns	Medium	Head of Pensions and Treasury	Independent monitoring of fund manager performance. Fund manager performance is reviewed quarterly.
Regulation Risks			
Introduction of European Directive MiFID II results are a restriction of Fund’s investment options.	Low	Head of Pensions and Treasury	The Fund has successfully opted up with all managers and third parties as required by the deadline.

Controls Assurance Reports

Fund Manager	Report	Assurance Obtained	Reporting Accountant
Aberdeen Standard	ISAE 3402	Reasonable assurance	KPMG LLP
Brightwood	Systems and Organisation Controls Report	Reasonable assurance	Ernst & Young LLP
CBRE	ISAE 3402	Reasonable assurance	KPMG LLP
Fiera	ISAE 3402	Reasonable assurance	Ernst & Young LLP
Harbourvest	Private Equity Fund Administration System	Reasonable assurance	Ernst & Young LLP
Legal and General	ISAE 3402	Reasonable assurance	KPMG LLP
Longview	ISAE 3000	Reasonable assurance	Ernst & Young LLP
Man FRM	ISAE 3402	Reasonable assurance	Ernst & Young LLP
Morgan Stanley	SSAE 18	Reasonable assurance	Deloitte & Touche LLP
Payden and Rygel	ISAE 3402	Reasonable assurance	BDO USA LLP
Permira	ISAE 3402	Reasonable assurance	Ernst & Young LLP
River and Mercantile	ISAE 3402	Reasonable assurance	RSM Risk assurance LLP
Robeco	ISAE 3402	Reasonable assurance	KPMG LLP
Custodian	**Report**	**Assurance Obtained**	**Reporting Accountant**
Northern Trust	ISAE 3402	Reasonable assurance	KPMG LLP

Financial Performance

Revenue Income and Expenditure

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Contributions	60,387	60,401	54,467	54,727	61,422
Pensions	(52,842)	(56,809)	(61,035)	(59,469)	(67,820)
Net additions/(withdrawals) from dealings with members	**7,545**	**3,592**	**(6,568)**	**(4,742)**	**(6,398)**
Management expense	(5,205)	(4,413)	(5,309)	(5,452)	(8,624)
Net investment returns	15,426	16,359	18,216	22,743	28,020
Change in Market Value	20,834	194,307	6,611	95,176	(77,854)
Net increase/(decrease) in the Fund	**38,600**	**209,845**	**12,950**	**107,725**	**(64,856)**

Net Asset Statement

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest securities	-	62,287	45,546	84,219	93,242
Equities	349,447	451,979	476,499	401,854	359,578
Pooled investments	321,393	453,128	424,129	456,681	450,054
Pooled property	86,926	95,113	131,197	144,973	164,479
Private equity / infrastructure	70,512	37,283	65,404	135,036	195,995
Diversified	47,181	58,489	62,883	58,329	57,537
Cash deposits	216,697	164,043	74,768	102,568	46,497
London CIV	150	150	150	150	150
Other	2,618	5,201	46,107	871	4,094
Total investment assets	**1,094,924**	**1,327,673**	**1,326,683**	**1,384,681**	**1,371,626**
Current assets	11,351	6,576	5,499	53,193	2,004
Current liabilities	(784)	(18,913)	(3,896)	(1,863)	(2,476)
Total net assets available to the Fund	**1,105,491**	**1,315,336**	**1,328,286**	**1,436,011**	**1,371,154**

- The COVID-19 pandemic saw the Fund fall in value for the first time in over 5 years. The Fund had seen good recovery by the time of publication.

2019/20 Outturn

CONTRIBUTIONS RECEIVED

	2019/20 Budget	2019/20 Actual	Variance	2020/21 Budget
	£'000	£'000	£'000	£'000
Employees	12,640	13,468	828	13,500
Employers	39,230	42,699	3,469	69.800
Transfers in	3,250	5,255	2,005	5,300
Total	**55,120**	**61,422**	**6,302**	**88,600**

- The 20/21 employer contribution is budgeted to be higher due to LBN prefunding.
- The 2019/20 transfers into the scheme was higher than the previous 5 years.

BENEFITS PAID

	2019/20 Budget	2019/20 Actual	Variance	2020/21 Budget
	£'000	£'000	£'000	£'000
Pensions	(45,370)	(46,698)	(1,328)	(49,500)
Lump sum retirements	(10,240)	(11,100)	(860)	(13,300)
Death benefits	(1,070)	(1,485)	(415)	(8,000)
Transfers out	(4,240)	(7,991)	(3,751)	(8,000)
Refunds	(330)	(545)	(215)	(600)
Total	**(61,250)**	**(67,819)**	**(6,569)**	**(79,400)**

ADMINISTRATION

	2019/20 Budget	2019/20 Actual	Variance	2020/21 Budget
	£'000	£'000	£'000	£'000
Employees	(61)	(62)	(1)	(65)
Legal	(40)	(7)	33	(35)
Support services (internal recharges)	(60)	(67)	(7)	(70)
Service contracts	(475)	(499)	(24)	(525)
Subscriptions	(30)	(35)	(5)	(40)
Other	(30)	-	30	(10)
Total	**(696)**	**(670)**	**(26)**	**(720)**

OVERSIGHT AND GOVERNANCE

	2019/20 Budget	2019/20 Actual	Variance	2020/21 Budget
	£'000	£'000	£'000	£'000
Employees	(210)	(197)	13	(200)
Legal	(50)	(24)	26	(50)
Support services (internal recharges)	(39)	(57)	(18)	(60)
Investment advisory services	(177)	(270)	(94)	(270)
Governance and compliance	-	-	-	-
External audit	(12)	(34)	(22)	(60)
Actuarial fees	(34)	(88)	(54)	(100)
Pooling	-	-	-	-
Other	(12)	(1)	11	-
Total	**(534)**	**(671)**	**(138)**	**(700)**

- 2019/20 was a triennial valuation year, this requires additional work to be carried out by the administrators and the actuary which bears additional costs.
- The Committee sought advice from the Funds investment and economic advisors to support the change in asset allocation and the introduction of new asset classes/fund managers. Also, additional work was completed having revised the Investment Strategy Statement and produced Environmental and Social Governance Policy.

INVESTMENT MANAGEMENT

	2019/20 Budget	2019/20 Actual	Variance	2020/21 Budget
	£'000	£'000	£'000	£'000
Management fees	(4,350)	(5,818)	(1,469)	(6,300)
Transactions costs	(150)	(1,315)	(1,165)	(1,400)
Custodian Fees	(100)	(150)	(50)	(200)
Total	**(4,600)**	**(7,283)**	**(2,684)**	**(7,900)**

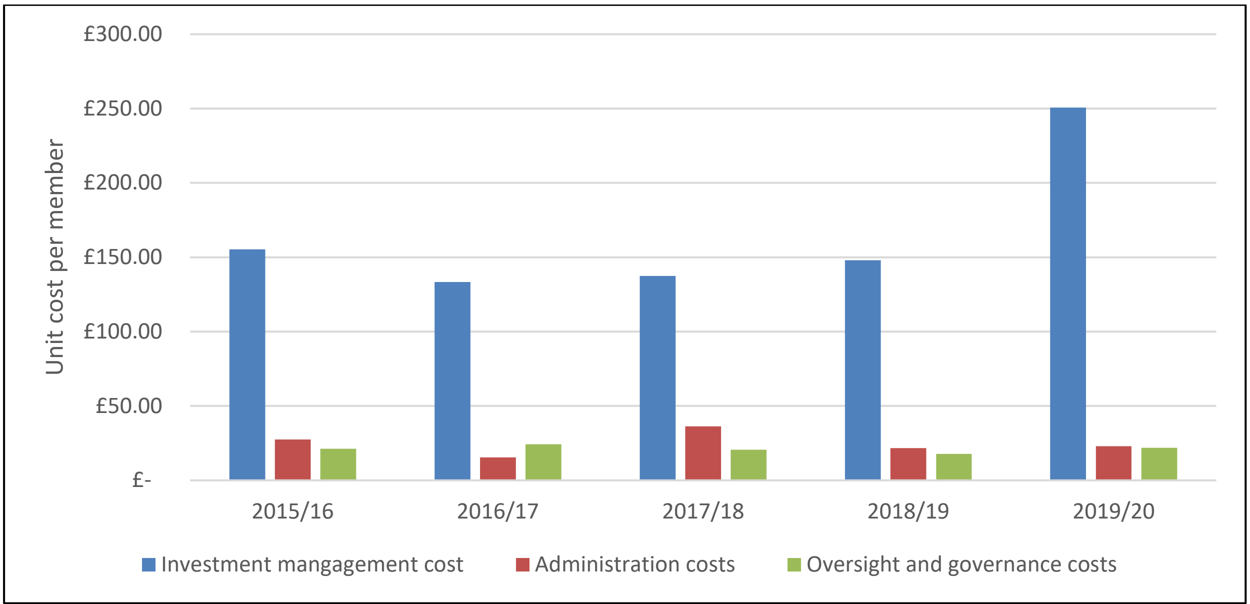
- As the Fund grows in value the ad velorem fees (management and custodian) increase.
- The Scheme Advisory Board introduced the cost transparency initiative in 2019/20, the process improves transaction cost reporting, highlighting the true cost of managing in the Fund.

INCOME

	2019/20 Budget	2019/20 Actual	Variance	2020/21 Budget
	£'000	**£'000**	**£'000**	**£'000**
Fixed interest securities	2,500	2,466	(34)	2,600
Equities	8,000	9,028	1,028	6,000
Pooled investments	3,500	3,230	(270)	3,500
Pooled property	3,500	4,142	642	4,300
Real assets	-	2,581	2,581	3,000
Diversified	400	407	7	200
Cash deposits	500	702	202	100
Private debt	3,500	5,693	2,193	6,000
Taxes on income	(400)	(229)	171	(400)
Total	**21,500**	**28,020**	**6,520**	**25,300**
Net cash inflow during the year	**10,932**	**14,337**	**3,405**	**(400)**

Unit cost per member

Total membership no.	25,490	25,516	27,327	29,057	29,168
Process	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Investment management costs					
Total cost (£'000)	3,959	3,403	3,754	4,304	7,283
Cost per member	£ 155.31	£ 133.37	£ 137.37	£148.11	£249.69
Administration costs					
Total cost (£'000)	702	392	993	630	670
Cost per member £	£ 27.55	£ 15.36	£ 36.35	£ 21.67	£22.96
Oversight and governance costs					
Total cost (£'000)	544	618	562	519	671
Cost per member £	£ 21.32	£ 24.23	£ 20.58	£ 17.86	£23.01



Analysis of asset pooling costs

	2019/209 £'000	Cumulative £'000
Set up costs:		
Share purchase	-	150
Implementation charge	-	50
Annual charge	25	125
Development funding charge	65	205
Total set up costs	**90**	**530**
Fees	16	31
Total fees	**16**	**31**

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Set up costs	225	25	100	90	90
Fee savings	-	-	-	(126)	(295)
Net savings realised	**225**	**25**	**100**	**(36)**	**(205)**

ONGOING INVESTMENT MANAGEMENT COSTS

	Asset Pool Costs		Non-asset Pool Costs		Fund total	
	£'000	BPS	£'000	BPS	£'000	BPS
Asset pool shared costs						
Ad valorum	-	-	5,819	44	5,819	44
Transaction costs	-	-	1,315	10	1,315	10
Taxes and stamp duty	-	-	229	2		2
Custody	-	-	150	1	150	1
Total			**7,512**	**56**	**7,512**	**56**

Asset category	Opening Value £'000	%	Closing value £'000	%	Performance over one year %	Local target
Asset pool managed investments						
London CIV shareholding	150	-	150	-	-	N/A
Passive listed equity	238,231	17.2	211,456	15.4	-11.24	Regional FTSE = -13.28%
Gilts	81,244	5.9	84,549	6.2	4.07	Index linked gilts = 2.02%
Total pooled investments	**319,625**	**23.1**	**296,155**	**21.6**		
Non-asset pool managed investments						
Active listed equity	401,854	29.0	359,578	26.2	-12.65	MSCI World Index = -5.83%
Structured equity	34,192	2.5	34,761	2.5	12.36	Fund return = 12.36%
US Treasuries	50,027	3.6	58,481	4.3	21.60	Fund return
Corporate bonds	110,284	8.0	109,018	7.9	-1.27	Barclays global aggregate = 1.99%
Fixed income	-	-	18,017	1.3	-	ICE BoAML British Pound 1M
High yield bonds	5,189	0.4	4,802	0.4	-7.45	Barclays UK HY = -3.36%
Private debt	55,902	4.0	90,086	6.6	5.60	7%
Property	144,973	10.5	164,479	12.0	4.70	5.58%
Venture capital	39,965	2.9	45,001	3.3	12.59	RPI + 4% = 6.64%
Real assets	39,169	2.8	60,908	4.4	6.37	6.0-8.0%
Cash	41,568	3.0	18,057	1.3	-	N/A
Temporary deposits	61,000	4.4	28,440	2.1	-	0.7%
Diversified alternatives	58,329	4.2	57,537	4.2	-10.22	3 month LIBOR + 4.2% = 4.97%
Derivatives	934	0.1	777	0.1	-	Not measured
Hedge funds	21,734	1.6	22,211	1.6	2.19	CPI + 3.1% = 4.60%
Other	(64)	-	3,318	0.2	-	Not measured
Total non-pooled investments	**1,065,056**	**76.9**	**1,075,471**	**78.4**		
Total assets	**1,384,681**	**100.0**	**1,371,626**	**100.0**	**-3.60**	

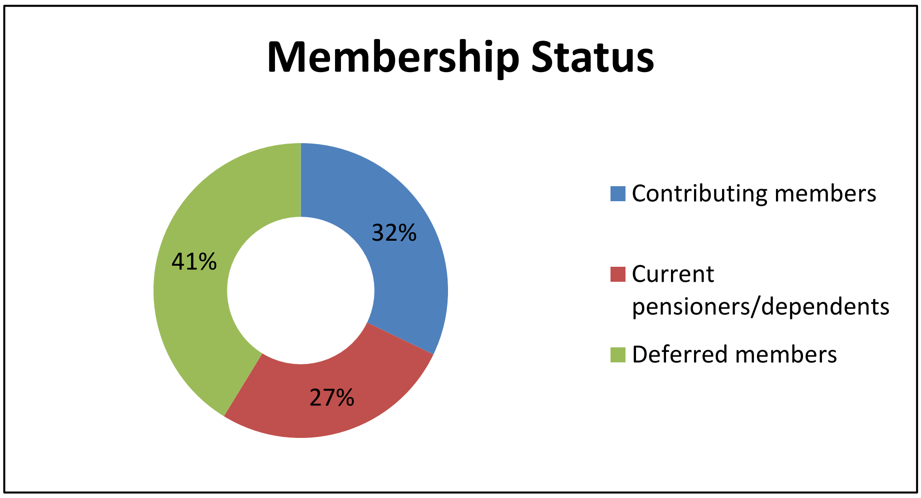
Fund Membership

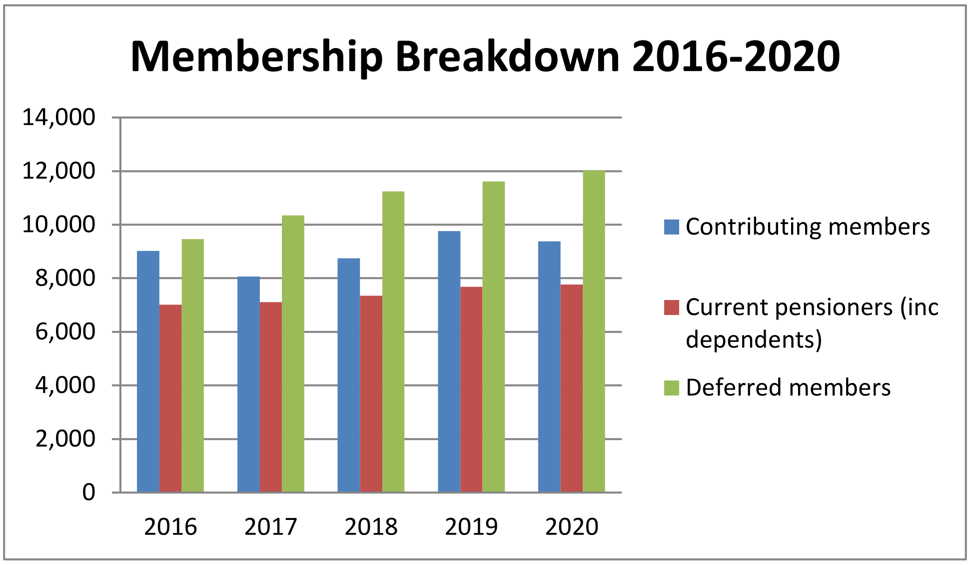
The Fund contracts out its benefits administration to LPP, a wholly owned subsidiary of the LPFA and Lancashire Pension Fund in accordance with the council's best value arrangements. The contract is managed and monitored for gathering assurance over the effective and efficient delivery of these operations by oneSource Exchequer and Transactional Services.

LPP continue to maintain pension scheme membership records and provide advice, benefits calculations and estimates.

Membership statistics 2016 – 2020

Membership Numbers as at 31 March	2016	2017	2018	2019	2020
Contributing members	9,021	8,069	8,741	9,755	9,374
Current pensioners (inc. dependents)	7,011	7,104	7,343	7,688	7,760
Deferred pensioners	9,458	10,343	11,243	11,614	12,034
Total	**25,490**	**25,516**	**27,327**	**29,057**	**29,168**

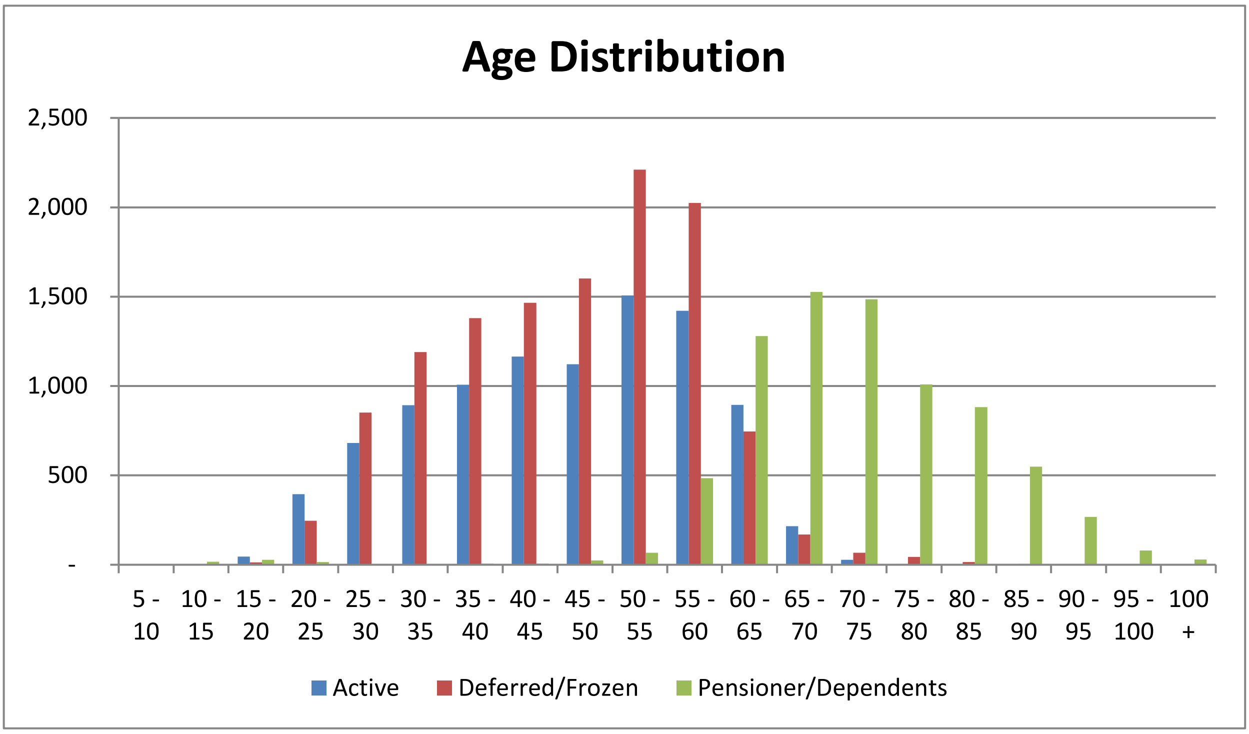




Membership numbers reported are more robust as our administration provider have enhanced the data quality function in 19/20.

Membership Age Profile at 31 March 2020

Bands	Active	Deferred/Frozen	Pensioner/Dependents
5-10	-	-	2
10-15	-	-	17
15-20	45	14	27
20-25	395	246	16
25-30	681	852	2
30-35	892	1,189	3
35-40	1,008	1,379	6
40-45	1,164	1,466	7
45-50	1,121	1,601	24
50-55	1,506	2,211	67
55-60	1,420	2,025	485
60-65	894	746	1,279
65-70	216	170	1,526
70-75	27	68	1,485
75-80	5	43	1,009
80-85	-	16	881
85-90	-	4	549
90-95	-	3	267
95-100	-	1	79
100+	-	-	29
Total	**9,374**	**12,034**	**7,760**



Fund Employers

London Borough of Newham is the administering authority for the Fund. Organisations known as admitted and scheduled bodies may also participate in the Fund - scheduled bodies have a right to be incorporated, whereas admitted bodies require the agreement of the administering authority.

Analysis of employers in the Fund

	Active	Ceased	Total
Administering Authority	1	0	1
Scheduled body	26	1	27
Admitted body	27	10	37
Total	**54**	**11**	**65**

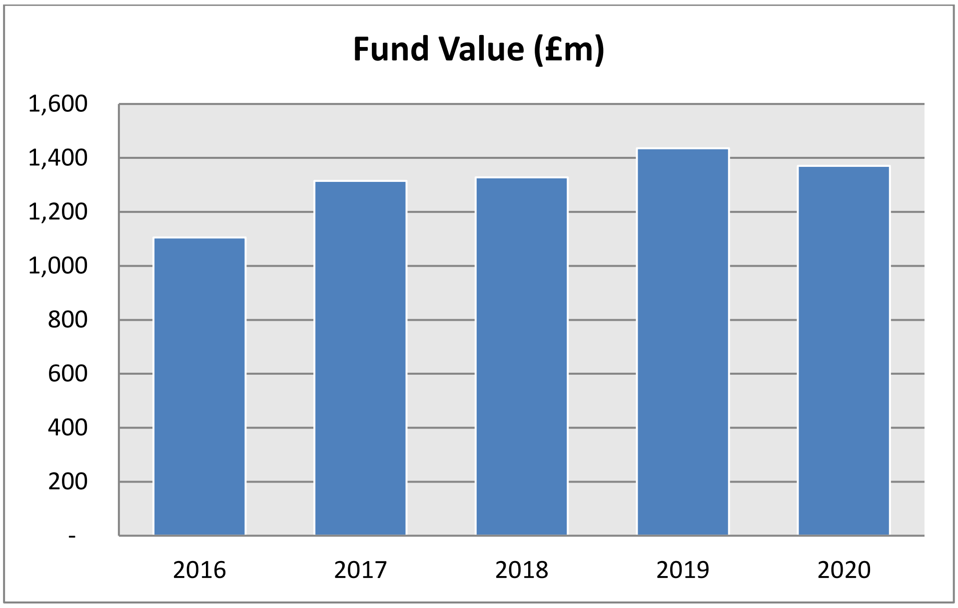
Budget 2020/23

The Pension Fund Outturn for 2019/20 and budget for 2020/21 in accordance with Regulation 34(3) of the Local Government Pension Scheme.

Pension Fund Budget	2019/20 Actual	2020/21 Budget	2021/22 Budget	2022/23 Budget
	£'000	**£'000**	**£'000**	**£'000**
Members	(13,468)	(13,500)	(13,500)	(13,500)
Employers	(42,699)	(69,800)	(12,800)	(13,100)
Transfers In	(5,255)	(5,300)	(5,300)	(5,300)
	(61,422)	**(88,600)**	**(31,700)**	**(32,100)**
Pensions	46,698	49,500	52,500	55,700
Retirement Benefit Lump Sums	12,585	13,300	14,100	14,900
Death Benefits	7,991	8,000	8,000	8,000
Transfer Out	8,537	8,600	8,700	8,800
	75,811	**79,400**	**83,300**	**87,400**
Net deductions from dealing with members	**14,389**	**(9,200)**	**51,700**	**55,500**
Administration	670	700	700	700
Oversight & Governance	7,283	7,900	8,500	9,200
Investment Management Expenses	671	700	700	700
Management expenses	**8,624**	**9,300**	**9,900**	**10,600**
Investment Income	(28,249)	(25,700)	(27,000)	(28,400)
Taxes on Income	229	400	400	400
Return on Investments	**(28,020)**	**(25,300)**	**(26,600)**	**(28,000)**
Net Budget	**(5,007)**	**(25,200)**	**34,900**	**37,900**
Local pension board - within Oversight and Governance	5	5	5	5

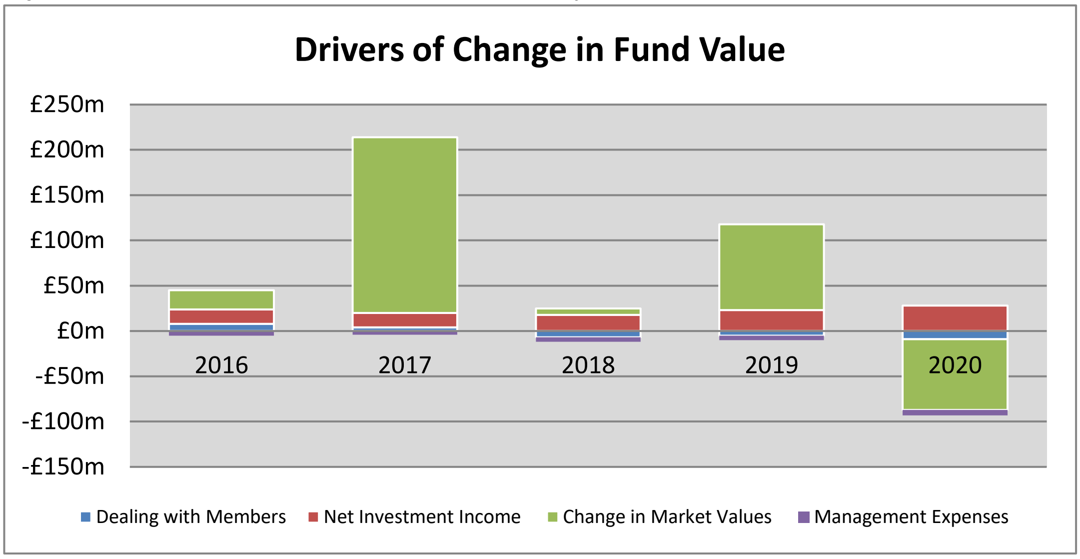
Fund Value

Overall, the Fund's net asset value has decreased by £65m to £1.37Bn during the year which declined due to the COVID-19 pandemic.



Prior to the COVID-19 pandemic, the Fund had made significant gains with the value reaching £1.49Bn as at 29 February 2020. The pandemic has created market volatility and economic uncertainty affecting the value of the assets in the Fund.

The impact on global markets was at its most severe around 31 March 2020 amid considerable uncertainty about the scale of the problem and ability of the Governments of major economies to implement effective policy responses.



The cash flow generated from dealing with members (i.e. contributions received and benefits paid) remains negative. This was foreseen by the Fund which is now investing in higher yielding assets to compensate for the shortfall. The change in market value is explained in the following section on investment performance.

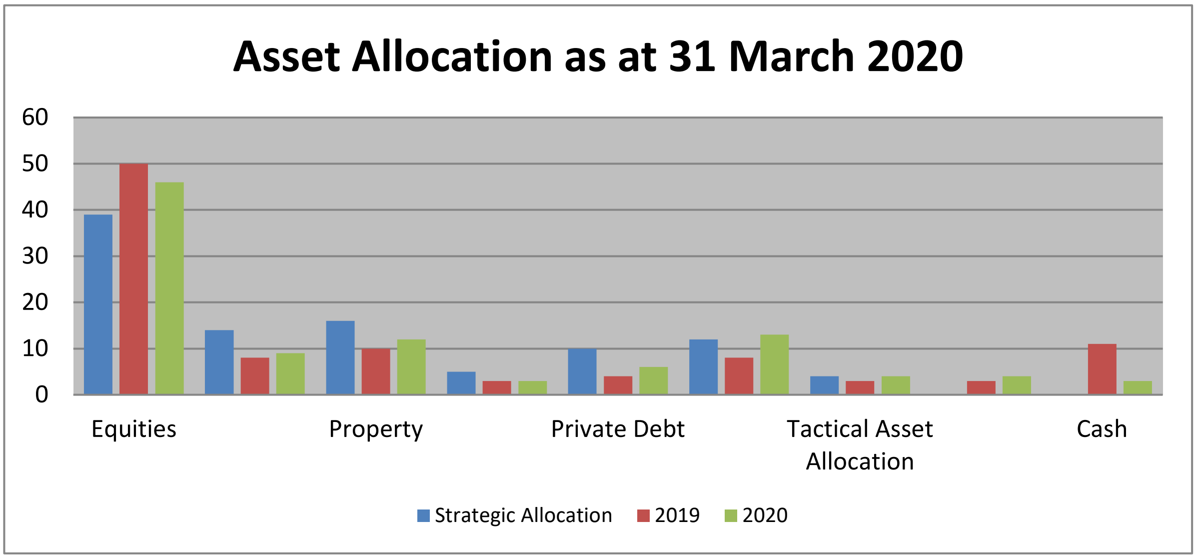
Investment Performance

The Fund's invested assets closed the year at £1.37Bn, the Fund's performance of -10.14% underperformed against the benchmark return of -6.36%. Details of how individual managers and asset classes have performed are included in the next section.

Strategic Asset Allocation

The long term funding objective of the Fund is to become fully funded within the agreed deficit recovery period of 20 years. The Fund's strategic asset allocation has been designed to meet this objective, whilst ensuring sufficient resources are available to meet liabilities as they fall due and employer contributions are kept as stable as possible.

The chart below shows the strategic asset allocation for 2019/20 and the actual allocation of assets at year end.



The Fund is in the process of moving assets into new asset classes so at the end of the year there were mismatches between actual and strategic allocations as new mandates were approved late in the year.

The Strategic Asset Allocation is reflected in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). Compliance with the ISS is monitored regularly and reported quarterly to the Committee. Management's view is that the variances to the Strategic Asset Allocation will come back in line following implementation of the investment strategy. They are not significant and pose no additional risk to the Fund over and above what the ISS allows.

Analysis of fund assets at the reporting date

Asset type	UK £m	Non-UK £m	Total £m
Equities	292	529	821
Bond pooled investment vehicle	35	190	225
Alternatives/private debt	37	238	275
Cash and cash equivalents	42	8	50
Total	**406**	**965**	**1,371**

Analysis of investment income accrued during the reporting period

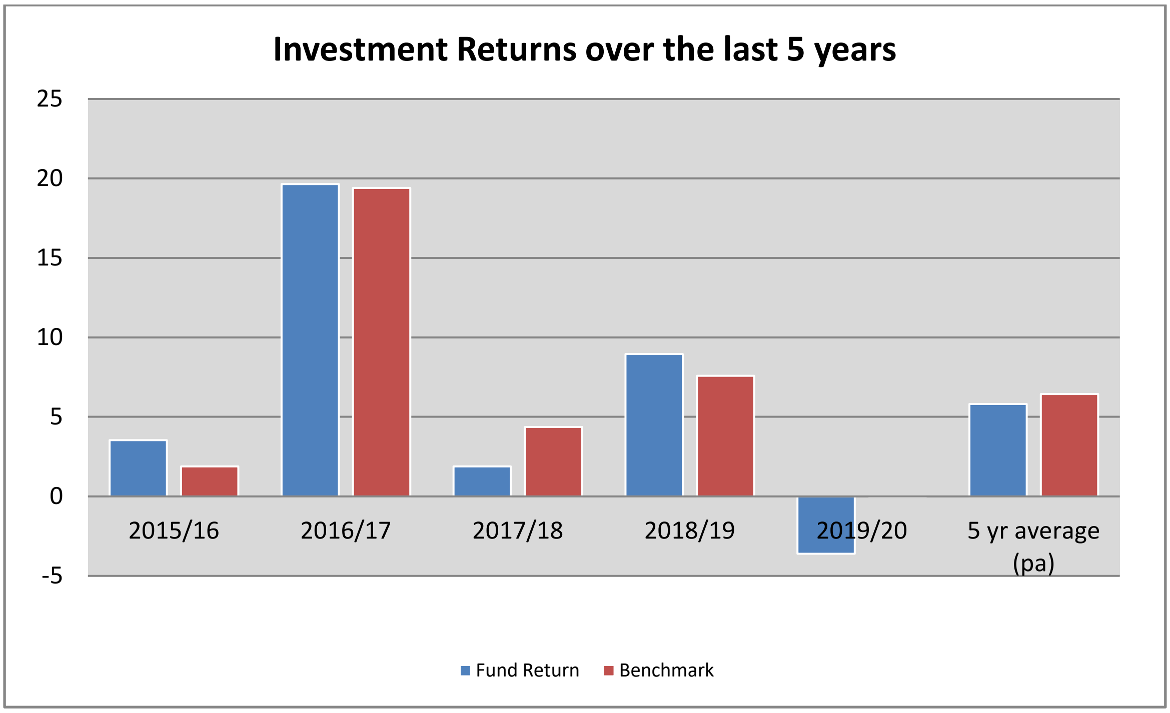
Asset type	UK £m	Non-UK £m	Total £m
Cash and cash equivalents	0.7	-	0.7
Fixed interest unit trust	1.3	1.2	2.5
Equities	1.7	7.3	9.0
Private debt	2.0	3.7	5.7
Real assets	-	2.6	2.6
Pooled fixed income	-	3.2	3.2
Pooled property investments	3.3	0.8	4.1
Diversified alternatives	-	0.4	0.4
Total	**9.0**	**19.2**	**28.2**

Investment Performance

Overall, the Fund's investments had a negative return of -3.60% against a benchmark of -0.03%. There has also been a strategical shift with the move into alternative assets and a focus on diversification. Information on investment performance is provided by the Fund's custodian, Northern Trust.

PIRC LGPS Universe performance results 19/20 were provided recently. Covid-19 pandemic caused a significant sell off in global equities and 31 March 2020 marked the lowest point before the rebound. So in 19/20 the LBN Fund assets contracted by -3.6% while the LGPS universe average contracted by -4.6%.

The chart below shows the investment performance for the last five years



The actuarial valuation estimated returns of 5.4% per annum (in market value terms) over the three year period from the Fund's 2016 valuation. Investment returns have been better than assumed at the 2016 triennial valuation leaving the Fund in a strong position for the 2019 valuation. More information on the Fund's triennial valuation can be found in the Actuarial Statement.

Investment Review 2019/20 – Barnett Waddingham

Barnett Waddingham advise the Pension Committee on the Fund's strategic asset allocation and assist in the monitoring of the investment managers. The purpose of this report is to review the economic environment over the 12 months to 31 March 2020, as well as to briefly analyse how the Fund's investment managers performed over the period. The data in this report has been sourced from Northern Trust and the Fund's investment managers.

Economic Environment

Over the 12 months to 31 March 2020, almost all risky asset classes produced negative returns. Equities fell by nearly 10% over the period and, despite government bond yields falling to new all-time lows, corporate bonds produced a negative return as spreads widened dramatically. This negative performance all occurred in the final month of the period as the COVID-19 pandemic spread around the world, wiping out the positive performance of the preceding 11 months.

Global growth was already slowing before the pandemic took hold. The IMF downgraded its estimate of global growth in 2019 from 3.3% in its April 2019 report to 2.9% in January 2020, the slowest rate of expansion since 2009. This led markets to fear that continuing rate rises would exacerbate slowing growth and tip the US economy into recession. The US Federal Reserve ("the Fed"), provided relief when it announced a 0.25% rate cut in August 2019, the first cut since 2008. This was followed by two further cuts in September and October. Over the same period, he European Central Bank ("ECB") announced that asset purchases of €20bn per month would resume in November 2019 after 11 months without purchases. As a result of looser monetary policy and slower growth, bond yields fell around the world. In Germany the entire yield curve moved into negative territory, with even the longest German Bunds (30 years) yielding -0.1% at the end of the September 2019.

Trade tensions between the US and China escalated over the period, contributing to volatility in markets. Tariff levels rose throughout 2019 and by the end of 2019 the average tariff levied by each side had risen past 20%. An increase from around 12% for the US, and 17% for China, in March 2019. However, on 15 January 2020 the two countries signed a "Phase One" agreement preventing further escalation. In the UK, the year was dominated by the Brexit negotiations and their political consequences until, in December 2019, Boris Johnson secured the UK's largest parliamentary majority since 2001. This allowed the passage of the Withdrawal Agreement and the UK left the EU on 31 January 2020 to begin a transition period and further negotiations.

In January 2020, China reported an outbreak of a previously unknown virus in the city of Wuhan. The virus, SARS-CoV-2, spread quickly and on 23 January Wuhan was placed into lockdown in an effort to control the spread. However, the virus could not be contained and spread around the world in the following weeks, forcing governments around the world to impose lockdowns on their own citizens. Markets took notice on 19 February, when major outbreaks were reported outside China for the first time. However, the steepest falls came in the second and third weeks of March, following the imposition of a nationwide lockdown in Italy on 9 March, the first major lockdown outside Asia. This was followed by further lockdowns across the developed world and by 23 March, markets had fallen 33% peak-to-trough.

By 26 March, 2.6 billion people, around a third of the global population, had been placed in lockdown to prevent the spread of the disease. The reduced economic activity resulting from the lockdowns has been reflected in 2020 growth forecasts. The IMF revised down its estimate for growth in 2020 from 2.9% in January to -3% at the end of March. The real impact on the economy could be seen in early data, for example in the last two weeks of March 10 million people in the US made initial jobless claims, seven times the previous record pace from 1982.

As the first response, the Bank of England (BoE) and the Fed cut rates to just above zero in mid-March. The next stage was to restart asset purchase programmes on a grand scale. The BoE announced £200bn of asset purchases, the ECB announced €1.1 trillion and the Fed promised to provide "unlimited" asset purchases. In March alone, it bought $1.65 trillion of assets. This total included corporate bonds, which the Fed has announced are eligible for purchase for the first time, in line with other major central banks. Governments also increased fiscal policy support to unprecedented levels. The US increased spending by more than 10% of GDP (around $2 trillion) in order to support the economy. This included direct payments of $1,200 to most citizens. Other countries launched similarly large stimulus packages, in the UK the government committed to paying 80% of worker's salaries, subject to a cap, in a furlough scheme.

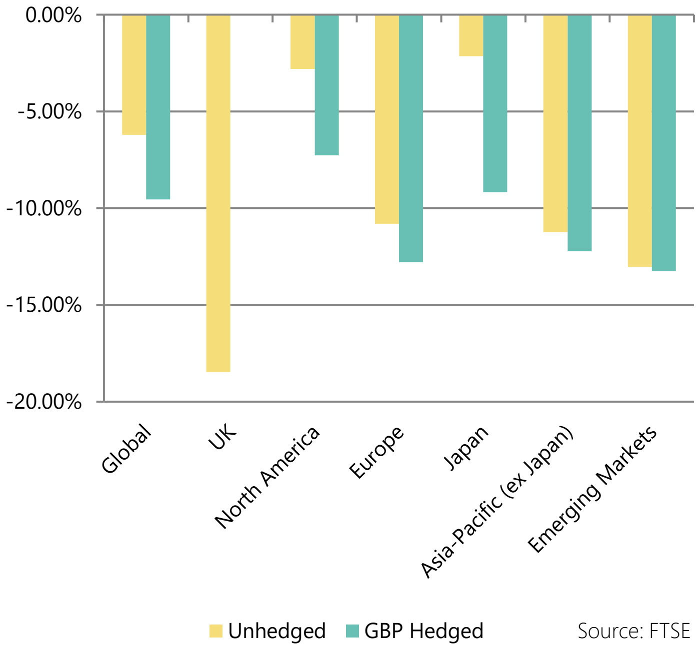
The 12 months to 31 March 2020 saw the all major central banks loosen monetary policy:

1. The European Central Bank kept its main lending rate at 0.0% throughout the period. However in September 2019 it cut one of its other rates (the deposit facility rate) from -0.4% to -0.5%, the bank's first cut since 2016. It also announced that asset purchases of €20bn per month would resume in November 2019. However, in March 2020 it dramatically expanded asset purchases, taking its total projected purchases for 2020 to €1.1 trillion.

2. The Bank of England maintained the base rate at 0.75% until 11 March 2020 when it cut rates to 0.25% in its first emergency meeting since 2008. This was followed by a further emergency cut to 0.1% on 19 March. UK CPI continued to fall over the period, from 1.9% in March 2019 to 1.5% in March 2020.

3. The Federal Reserve loosened monetary policy, cutting rates by 2% over the 12 months to 31 March 2020. At the end of the period the Federal Funds Rate was set within the range 0.00% to 0.25%. The Fed initially reduced its balance sheet over the period, shrinking its assets by around $174 billion. However, the size of the balance sheet reductions bottomed-out at the end of August and rose by around $2 trillion between September 2019 and February 2020 as the Fed intervened, first to provide short-term liquidity to the US financial system and then in response to the COVID-19 pandemic.

Regional Equity returns in the 12 months to 31 March 2020



Source: FTSE

EQUITIES

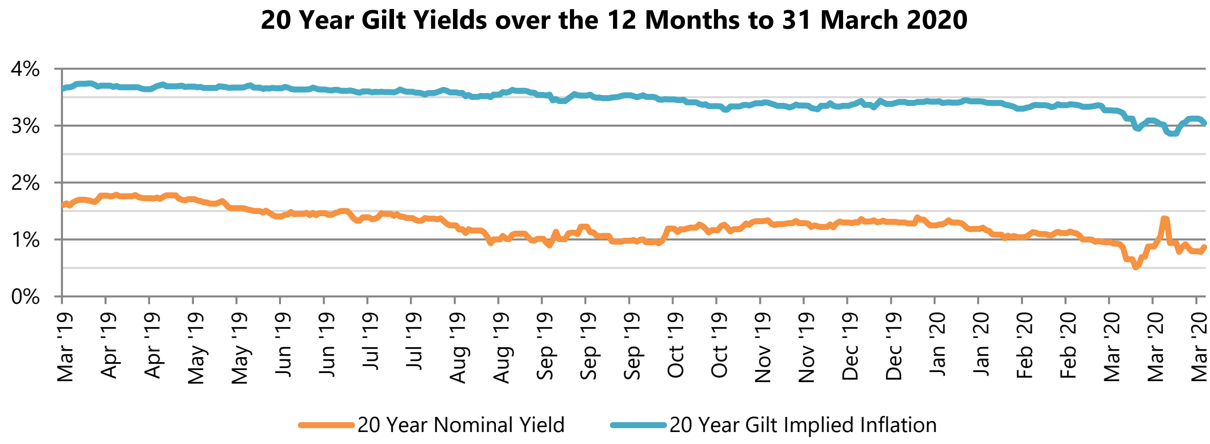
Against this backdrop, market returns from traditional asset classes were largely negative in absolute terms over the year to 31 March 2020.

Overall, global equities struggled over the year to 31 March 2020, falling by -9.6% in local currency terms. All geographic regions experienced deeply negative returns, although a significant differential remained between the best (North America: -7.3%) and worst (Developed Asia ex. Japan: -14.9%) performing regions (in local currency terms).

LEGAL & GENERAL PASSIVE EQUITY

At the end of the year under review the assets invested with Legal & General were split across five regional index tracking funds. These aim to closely track the performance of the underlying indices. Returns were all negative over the 12 months to 31 March 2020 due to the impact of COVID-19 seen in March 2020. The funds tracked the indices well over the 12 months to 31 March 2020 with the overall funds returning -13.3% versus the benchmark return of -13.2%.

LONGVIEW ACTIVE EQUITY



This fund is actively managed and seeks to generate returns in excess of its benchmark (MSCI World). Longview delivered a return of -13.1% over the year to 31 March 2020 underperforming the benchmark by 7.3%. However, the Fund remains 1.4% p.a. ahead of its benchmark since inception. Around 80% of the assets with Longview were invested in North American Equities, with outperformance over the long term predominantly driven by stock selection.

BONDS

Over the year to 31 March 2020, UK gilt yields fell across all maturities. The net impact was a strong positive return (9.9%) for UK fixed interest gilts (all stocks). Inflation expectations also decreased across all maturities, meaning that UK index-linked gilts (all stocks) delivered a significantly lower return (2.2%) over the year. UK corporate bond spreads (all stocks) widened by around 1.0% over the year.

ABERDEEN BONDS

Aberdeen Standard Investments manage the Aberdeen World Opportunistic Bond Fund. Its objective is to outperform a global bond index by 2% to 3% p.a. gross of fees, over rolling 5 year periods. The Fund underperformed this index by 3.0% in the 12 months to the end of March and has also underperformed the index over 3 years but outperformed over the 5 year time period. The fund returns remain behind the target level of outperformance.

LEGAL & GENERAL INDEX LINKED GILTS

Around 6% of the Fund's assets were invested in Legal & General's Under 15 Year Index-Linked Gilts Index Fund, which performed in line with its benchmark, returning 2.0% over the period.

PAYDEN & RYGEL ABSOLUTE RETURN BONDS

On 19 November 2019 the Fund invested in the Payden & Rygel Absolute Return Bond Fund and approximately 1% if the Fund's assets were invested with Payden & Rygel as at 31 March 2020. Since the inception date the fund has returned -9.9%, this is an underperformance of -10.2% where the benchmark is based on the one month cash rate (ICE BofA ML British Pound 1M).

ALTERNATIVES

CBRE PROPERTY

The MSCI UK All Property Index rose 0.3% over the 12 months to 31 March 2020. This number is likely to overstate property performance over the last year because the vast majority of the impact of the pandemic on financial markets was not felt until March 2020.

The Fund's assets are invested in UK and global property Funds. The UK Fund seeks to outperform the AREF/IPD UK QPFI All Balanced Property Fund Index by 0.75% p.a. over rolling three year periods, whilst the Global Fund has an objective of between 9% p.a. and 11% p.a. over rolling three year periods. The combined portfolio returned 4.7% over 12 months.

MORGAN STANLEY ALTERNATIVES

The Fund also invests assets with Morgan Stanley across a wide range of alternative asset classes, including private markets, real estate, hedge funds and senior loans, diversifying the Fund's investment strategy, providing alternate sources of return.

The Morgan Stanley Alternatives portfolio produced a gross return of -10.2% over the 12 months to 31 March 2020, underperforming the 3 month LIBOR index return of 0.8%. Returns over a five year period were -0.1% p.a. against the index return of 0.6% pa.

The investment strategy review concluded that the Morgan Stanley approach did not provide the level of transparency sought by the Pension Committee. Furthermore, in an effort to align the alternatives holdings with a framework that was more closely aligned with the Governments pooling proposals alternative ways of structuring this holding have been agreed. As a result Morgan Stanley are managing the portfolio on a care and maintenance basis to avoid incurring additional costs associated with trading positions which may not be required in future.

HARBOURVEST PRIVATE EQUITY

Harbourvest seek to generate returns on the Fund's assets by investing in private equity funds which, in turn, invest in unlisted companies.

Performance over the 12 months to 31 March 2020 was 12.6%, outperforming its benchmark return of 6.6% (Retail Price Index Inflation + 4%). The long term return has been strong with the fund returning 10.2% p.a. since inception, around 3.1% p.a. ahead of the benchmark of inflation + 4% p.a.

PRIVATE DEBT (PERMIRA, ARCMONT & BRIGHTWOOD)

The private debt portfolio is split between Permira, Arcmont and Brightwood. Each manager takes a different approach and access broadly different parts the private debt market, diversifying the Fund's portfolio. These funds are closed ended in nature (i.e. cannot be sold until they mature) and are still in the relatively early stages of their development. Consequently, current performance numbers are not a true reflection of the likely outcomes of the funds.

MAN LIQUID ALTERNATIVES

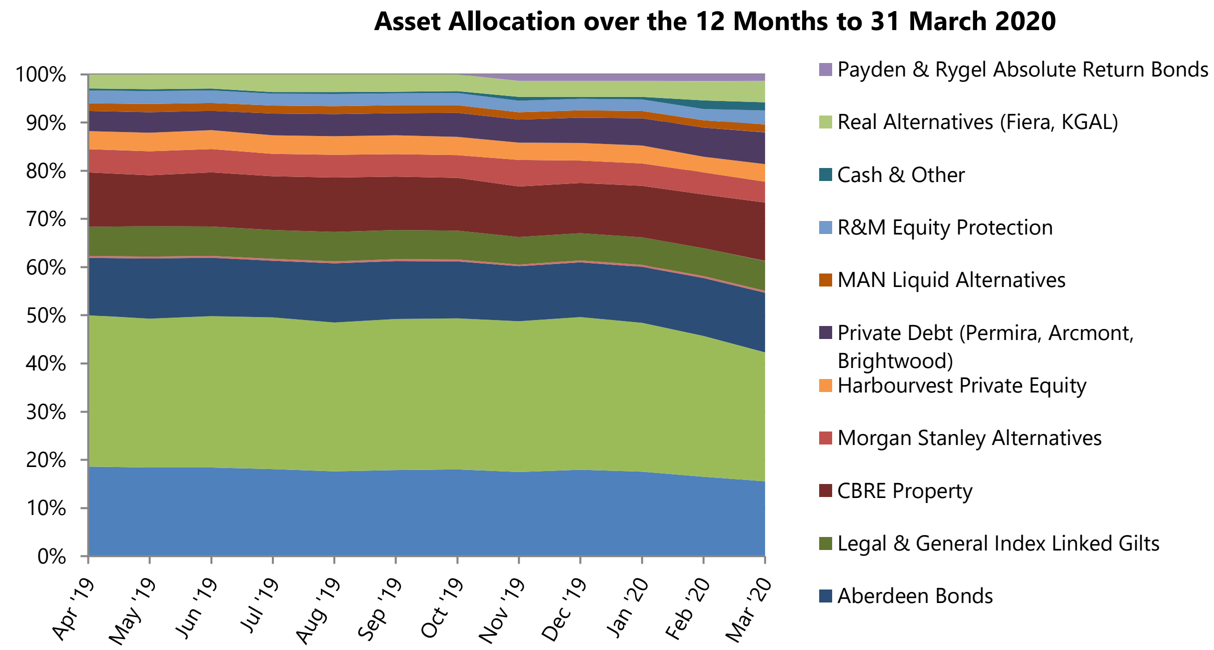
At 31 March 2020 £22.2m (1.6%) of the Fund's assets were invested in a liquid alternatives portfolio with MAN Group, which primarily invests in hedge funds. The fund returned 2.2% over the 12 months to 31 March 2020, underperforming its benchmark of CPI+3.1% by around 2.4%.

REAL ALTERNATIVES (FIERA & KGAL)

The real alternatives portfolio was valued at £60.9m at 31 March 2020. It is split between the Fiera Agriculture fund, Fiera Infrastructure fund and KGAL. The funds have a target return of 7-8% p.a. net of fees. As with the private debt assets, performance numbers at this stage of the investment life are not representative of expected performance.

Asset allocation

The change in allocation over the period is shown the chart below.



Actuarial Statement 2019/20

Introduction

The last full triennial valuation of the London Borough of Newham Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2020.

2019 valuation results

The 2019 valuation certified a primary rate of 17.0% of pensionable pay. 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.

In addition, further "secondary" contributions were required in order to pay off the Fund's deficit by no later than 31 March 2037. The total secondary contributions payable by all employers, present in the Fund as at 31 March 2019, over the three years to 31 March 2023 was estimated to be as follows:

Secondary Contributions	2020/21	2021/22	2022/23
Total as a % of payroll	2.3%	2.3%	2.3%
Equivalent to total monetary amounts of	£4.6m	£4.8m	£5.0m

In practice, each employer was assessed individually in setting the minimum contributions due from them over the inter-valuation period, details of which can be found in the formal report on the actuarial valuation dated March 2020.

Contribution rates

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

The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;

plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2019 for valuation purposes was £1,432m which represented 96% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment.

Assumptions

The assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumption	31 March 2019
Discount rate	5.0% p.a.
Pension increases	2.6% p.a.
Salary increases	3.6% p.a.
Mortality	Members –S3PA Heavy tables with a multiplier of 90% for males and 95% females and projected improvements in line with the 2018 CMI model allowing for an initial addition to improvement of 0.5% p.a., a long term rate of improvement of 1.25% p.a. and a smoothing parameter of 7.5 Dependants – S3DA tables with projected improvements in line with the 2018 CMI model allowing for an initial addition to improvements of 0.5% p.a., a long term rate of improvement of 1.25% p.a. and a smoothing parameter of 7.5
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

Updated position since the 2019 valuation

Returns were strong for the first three quarters following the valuation date, however, recent market movements have seen significant falls in equity values. As at 31 March 2020, in market value terms, the Fund assets were less than where they were projected to be based on the previous valuation.

The projected liabilities will have increased due to the accrual of new benefits net of benefits paid, but offset by lower levels of projected future inflation. However the potential reduction in the value of the liabilities will be offset by lower expected future investment returns reflected in the discount rate underlying the valuation model.

On balance, we estimate that the funding position is likely to be slightly lower than the 2019 valuation position when compared on a consistent basis to 31 March 2019.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends. There are also the other uncertainties around future benefits, relating to the McCloud and Sargeant cases and the ongoing cost cap management process.

We will monitor this funding level on a quarterly basis so we will estimate the funding level again at 30 June 2020 and review the appropriateness of the assumptions used in our funding model.

Barry McKay FFA
Partner, Barnett Waddingham LLP

Scheme Administration Report

Performance Indicators

The LPP Pensions Administration Service is measured against key performance indicators that measure compliance, efficiency, and effectiveness of the service.

Workflow summary

The table below shows a summary of the total top 12 cases received and completed for the year 1 April 2019 to 31 March 2020.

Overall performance over the last 12 months was 99.72%.

Case Description	Received	Completed	On Time	On Time %
Joiners	2,054	1,967	1,967	100.00%
Transfers In	378	397	397	100.00%
Transfer Out	604	58	584	99.83%
Estimates – Members	842	819	819	100.00%
Estimates – Employers	573	564	564	100.00%
Retirements	828	665	665	100.00%
Deferred Benefits	1,091	947	945	99.79%
Refunds	1,366	1,269	1,268	99.92%
Deaths	465	360	351	97.50%
Correspondence	963	915	905	98.91%
Additional Contributions	13	23	23	100.00%
Divorce	47	47	46	97.87%
Totals	**9,224**	**8,558**	**8,534**	**99.72%**

LPP currently has 4 FTE working on Newham administration with a ratio of 1 member of staff to 7,406 fund members. The team completed a total of 13,337 cases including other contractual cases outside of the top 12 for the period 1st April 2019 to 31st March 2020 which is an average of 3,334 cases per staff member

Cases completed

Of the 8,534 cases completed on time 3,975 were completed early as detailed below

Description	1 Day Early	2 Days Early	3 Days Early	4+ Days Early
Joiners	600	201	124	141
Transfers In	41	11	7	84
Transfer Out	82	36	19	112
Estimates – Members	125	52	31	187
Estimates – Employers	91	44	26	169
Retirements	91	37	17	133
Deferred Benefits	111	83	39	138
Refunds	185	94	64	224
Deaths	25	31	15	35
Correspondence	119	46	52	229
Additional Contributions	6	0	3	3
Divorce	3	2	1	6
Totals	**1,479**	**637**	**398**	**1,461**

Ill health and employer consents

Reason	Total
Ill- Health – Tier 1	11
Ill Health Tier 2	0
Ill health Tier 3	2
Flexible Retirement	16
Redundancy	82

Complaints

There was a total of 36 complaints received during the year, broken down by quarter below.

Quarter	Number of complaints
Q1	**12**
Q2	**4**
Q3	**10**
Q4	**10**
Totals	**36**

Complaints are now dealt with independently by a dedicated Complaints Team where the complaint will be logged and monitored to ensure a quick resolution where possible

Dispute Resolution Procedure

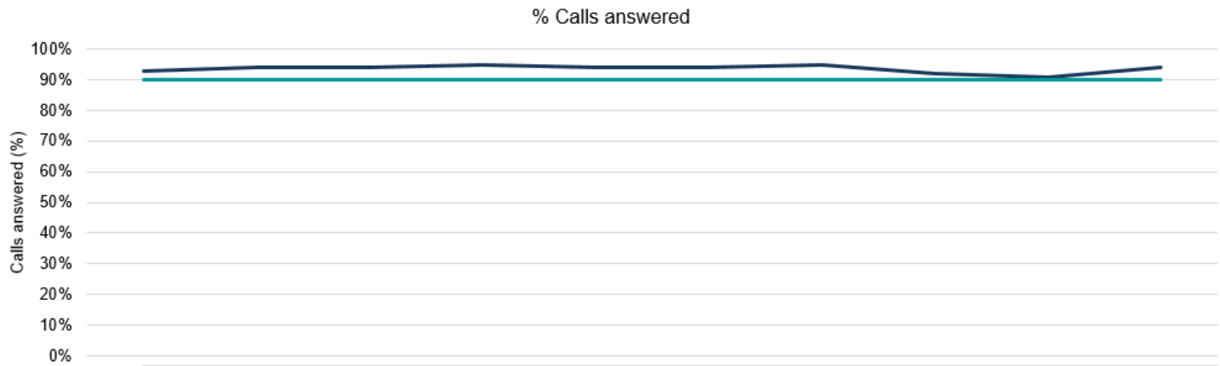
There were 3 Dispute resolutions received during the period 1st April 2019 to 31st March 2020. Of the 3 disputes 1 was withdrawn, 1 is ongoing and 1 has been upheld.

Where a member is unsure of their benefit entitlement or has problems with their benefits, the

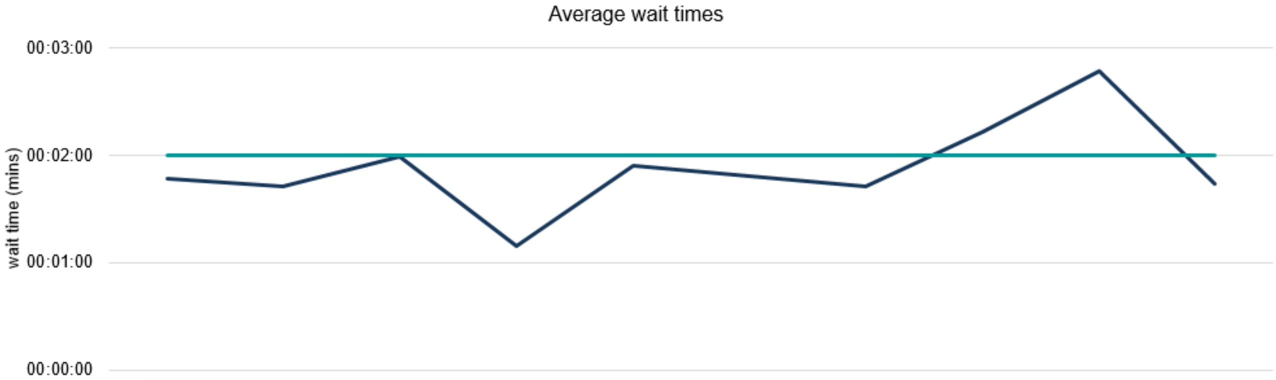
Local Pensions Partnership (LPP) should be contacted. If a member is not satisfied with any decision, they have a right to ask for it to be re-examined under the formal complaint's procedure, which is officially called 'internal dispute resolution procedure'. The formal complaints procedure has 2 stages and full details can be obtained from the LPP by either phone on 020 7369 6118 or by writing to Local Pensions Partnership, PO Box 1383, Preston, PR2 0WR.

Pensions Helpdesk Performance

Performance across our Pensions Helpdesk is below. The data is in respect of all LPP clients.



	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Performance	93%	94%	94%	95%	94%	94%	95%	92%	91%	94%
Target	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

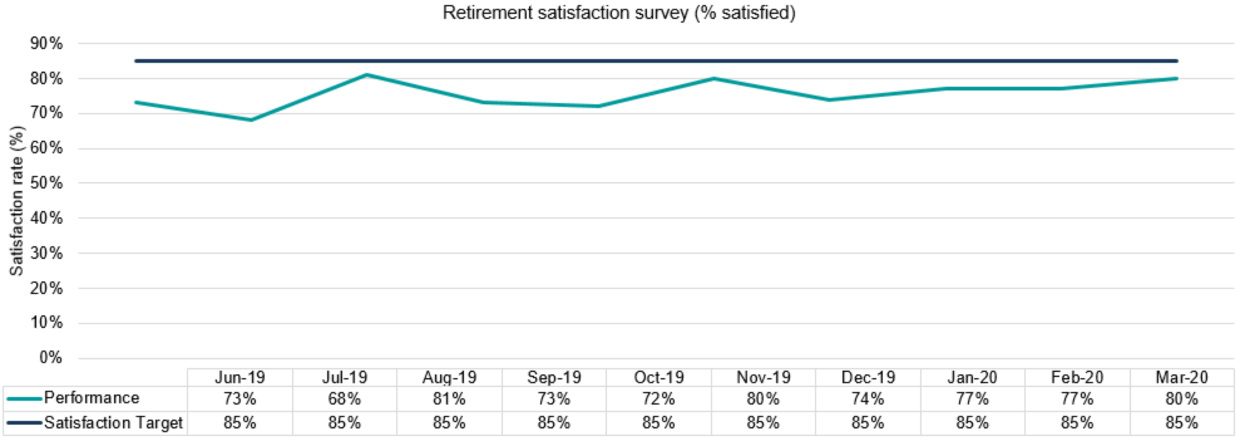


	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Performance	00:01:47	00:01:43	00:01:59	00:01:09	00:01:54	00:01:49	00:01:43	00:02:13	00:02:47	00:01:44
Target	00:02:00	00:02:00	00:02:00	00:02:00	00:02:00	00:02:00	00:02:00	00:02:00	00:02:00	00:02:00

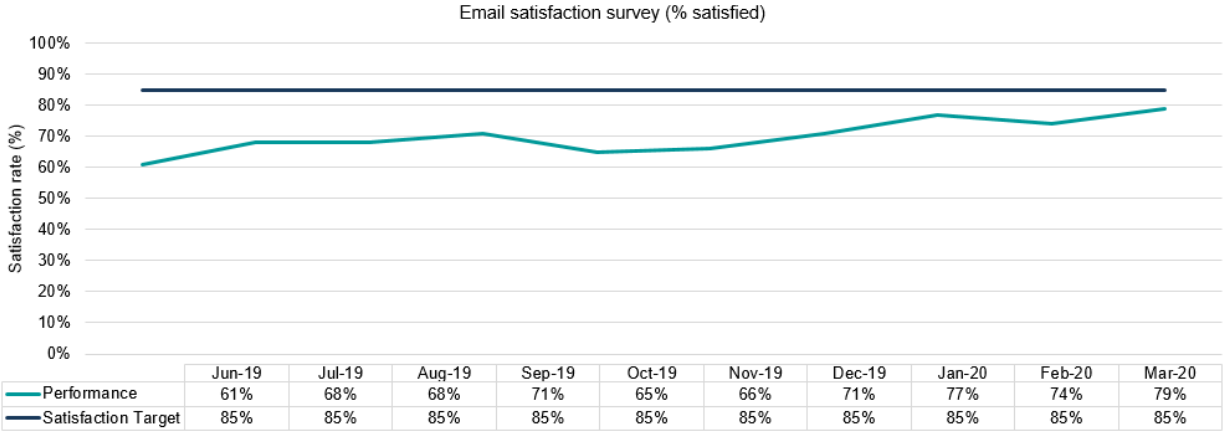
Satisfaction Surveys - Call handling

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Satisfaction - Call handler	96%	96%	98%	98%	98%	99%	98%	98%	98%	99%
Satisfaction - Overall service			83%	83%	84%	84%	83%	84%	85%	84%
Satisfaction Target	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%

Satisfaction Survey – Retirements



Satisfaction Survey – Emails



Accuracy of data

Each year, following year-end processing, LPP raise queries with Newham employers such as missing joiners, leavers, change of hours and pay queries. In most instances the queries are reducing year on year, however we continue to identify errors and educate employers prior to the queries being created. To this end we have listened to employers and have improved our templates and literature to ensure the data supplied by Newham employers is accurate and continues to improve the overall data quality position.

During 2019/20, we tracked the TPR scores on a quarterly basis. We continue to develop an ongoing program of work to maintain/improve data scores to above the targets outlined below.

Common data score

Fund	Target	Q2 2019/20	Q3 2019/20	Trend	Q4 2019/20	Trend
LB Newham	95%	92.0%	91.8%	-0.2%	91.8%	0.0%

Conditional data score

Fund	Target	Q2 2019/20	Q3 2019/20	Trend	Q4 2019/20	Trend
LB Newham	90%	93.0%	91.9%	-1.1%	93.0%	1.1%

LGPS Regulatory Update

A. Opposite sex Civil Partnerships

Opposite sex partnerships were introduced in May 2019 and have been written into the LGPS with effect from 31 December 2019, all systems and documentation has been updated to include this level of benefit.

B. Miscellaneous amendment regs

The amended miscellaneous regulations which allowed all members aged over 55 with deferred benefits who were not in ongoing LGPS employment to access their benefits. These regulations also incorporated the impact of the Walker v Innospec ruling

C. Late retirement factors (September)

As referred to in the 2019 update an adjusted late retirement set of factors was introduced from September 2019, however these were introduced without any cliff edge approach. The new factors are more generous to members who have delayed claiming their pension by greater than 2 year but less generous for those with shorter delays to claiming their benefits.

D. 5-year CARE anniversary (Refunds)

From April 2019 we had pasted the 5 year anniversary of the establishment of the CARE scheme, this also meant that we had our first cases of members with unclaimed refunds reaching the 5 year point which the regulations state must be paid at this point. Unfortunately, we are not always able to elicit a response from members, this could trigger an unauthorised payment if the member does belated request their refund. The LGA are aware that this is a national issue and are seeking to amend the regulations to be consistent with previous LGPS and other public sector schemes which would avoid such refunds benefits being treated as unauthorised payments.

E. Exit payment cap consultation

Amended regulations on exit credits were issued and effective from 20 March 2020 and backdated to 14 May 2018, these allow administering Authorities to take a wider view on pension liabilities which will limit the risk to the fund of exiting employers.

F. Fair Deal consultation closed 4 April 2019

The fair deal consultation closed over a year ago but is still considered that actual regulations will follow.

G. Valuation and employer risk consultation closed 31 July 2019

The consultation on the potential to move the LGPS to a 4 yearly valuation cycle to coincide with the other unfunded public sector schemes closed on 31 July 2019. We await guidance from MHCLG on whether this will occur and how we would move to bring the schemes into alignment.

H. McCloud/Sargeant (age discrimination case)

The Government were not granted the option of appealing the decision that the move to the CARE schemes failed to meet the age discrimination requirements and therefore we are expecting a further consultation on the approach on ‘remedy’ for the LGPS as well as all the unfunded schemes. The LGPS is unique in having had the protection for those within 10 years of retirement performed under the underpin arrangements, it may be that for the LGPS ‘remedy’ may be extending the underpin rather than individual recalculations of those who had service from before the 1 April 2012.

I. Cost management (Cost cap)

The cost cap which is a crucial part of the Hutton review which introduced the CARE scheme in 2014, was triggered in 2019 and would have led to an improvement in the benefits from April 2019. However, in view of the age discrimination case, referred to above, the Government placed the changes on hold pending the results of the age discrimination with a planned revisit to the cost cap calculations before making changes to the scheme.

J. Exit cap

The consultation on the introduction of the exit cap (£95k) was closed on 3 July 2019, we await a response from Government.

K. CoVid-19

Since March, the MHCLG together have introduced a life assurance payment guarantee of £60,000 for employees in NHS or social care. This payment would be payable in addition to any scheme death grant and is paid by the HMRC.

Also, the LGA have produced a series of FAQ documents and webinars aimed at Administrators, employers and members, covering:

- Furlough staff
- Contributions
- Emergency Volunteering leave, secondment, re-employment and Reserve Forces Leave
- Information for members
- Life assurance payments
- Pension Administration
- Payment of benefits
- Governance and resilience
- Pension tax
- Annual Scheme events

James Curtis
Pensions Administration Operations Manager

Financial Statements

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- To approve the Newham Pension Fund Accounts.

The Responsibilities of the Corporate Director of Resources

The Corporate Director of Resources is responsible for the preparation of the Authority's Pension Fund Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing the Pension Fund Accounts, the Corporate Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Corporate Director of Resources has also:

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

In accordance with the Accounts and Audit Regulations 2016, I certify that the Accounts set out on pages 45 to 80 of the Annual Pension Report present a true and fair view of the financial position of the Fund at 31st March 2020 and its income and expenditure for the year ended 31st March 2020.

Date: 14th December 2020 Signature:

Conrad Hall

Conrad Hall
Corporate Director of Resources

Auditors Report

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF NEWHAM ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 23.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of London Borough of Newham for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Respective responsibilities of the Chief Finance Officer and the auditor

As explained more fully in the Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of London Borough of Newham, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Members Introduction, Chair's comments, Highlights of 2019/20, The Fund's outlook for 2020/21, Fund Governance and Statutory Information, Performance Reviews and Actuarial Statement, Investment Strategy Statement 2019/20, Funding Strategy Statement 2019/20, Environmental, Social & Governance Policy 2019/20, Communication Policy 2019/20, and Governance Statement 2019/20.

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

Kevin Suter.
Ernst + Young LLP

Kevin Suter (Key Audit Partner)
Ernst and Young LLP (Local Auditor)
Southampton
17 December 2020

2019/20 Pension Fund Accounts

2018/19 £'000		Notes	2019/20 £'000
	Dealings with members, employers and others directly involved in the fund:		
51,870	Contributions	7	56,167
2,857	Individual transfers in from other pension funds		5,255
54,727			**61,422**
(55,031)	Benefits	8	(59,283)
(4,438)	Payments to and on account of leavers	9	(8,537)
(59,469)			**(67,820)**
(4,742)	**Net withdrawals from dealing with members**		**(6,398)**
(5,452)	Management expenses	10	(8,624)
(10,194)	**Net deductions including fund management expenses**		**(15,022)**
	Returns on investments		
23,066	Investment income	11	28,249
(323)	Taxes on income		(229)
95,176	Profit and losses on disposal of investments and changes in the Market value of investments	12	(77,854)
117,919	**Net return on investments**		**(49,834)**
107,725	**Net decrease in the assets available for benefits during the year**		**(64,857)**
1,328,286	**Opening net assets of the Fund**		**1,436,011**
1,436,011	**Closing net assets of the Fund**		**1,371,154**

Net Asset Statement

2018/19 £'000		Notes	2019/20 £'000
1,285,865	Investment assets	12	1,357,306
(3,752)	Investment liabilities		(32,177)
102,568	Cash deposits		46,497
1,384,681	**Total invested assets**		**1,371,626**
53,193	Current assets	19	2,004
(1,863)	Current liabilities		(2,476)
51,330	**Net current assets**		**(472)**
1,436,011	**Net assets of the Fund available to fund benefits at 31 March**		**1,371,154**

Notes to the Pension Fund Accounts

Note 1: Description of Fund

The London Borough of Newham Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Newham. The Local Authority is the reporting entity for this Fund.

The following description of the Fund is a summary only, for more detail reference should be made to the Fund's Annual Report 2019/20.

a) General

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

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

It is a contributory defined benefit pension scheme administered by the London Borough of Newham to provide pensions and other benefits for pensionable employees of the London Borough of Newham and a range of other scheduled and admitted bodies within the borough. Teachers are not members as they are included within other national pension schemes.

The Fund is overseen by the Pensions Committee (the Committee), of the London Borough of Newham supported by the Local Pension Board ('the Board') and day to day operations have been delegated to the Statutory Section 151 officer

b) Membership

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

Organisations participating in the Fund include:

- Scheduled bodies, which 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 a total of 65 employer organisations (see note 17) within the Fund including the Local Authority itself; 54 employers have active members and 11 employers without active members. Membership details are as set out below:

31 March 2019	Membership	31 March 2020
51	Number of employers with active members	54
	NUMBER OF EMPLOYEES IN SCHEME	
5,558	London Borough of Newham	5,357
4,197	Other employers	4,017
9,755	**Total**	**9,374**
	NUMBER OF PENSIONERS	
7,257	London Borough of Newham	7,306
431	Other employers	454
7,688	**Total**	**7,760**
	NUMBER OF DEFERRED MEMBERS	
10,188	London Borough of Newham	10,297
1,426	Other employers	1,737
11,614	**Total**	**12,034**
29,057		**29,168**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers contributions which are set based on triennial actuarial funding valuations. The last full valuation of the Fund was at 31 March 2019, employer contribution rates range from 12% to 28.1% of pensionable pay, the average employer rate is 17.5%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided including early retirement, disability pensions and death benefits. For more details, please refer to the Fund's scheme handbook available from http://www.yourpension.org.uk/handr/Newham-Publications.aspx.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its year-end position as at 31 March 2020. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* ("the code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20 by the Pension Fund.

The accounts 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, nor do they take account of the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose (see Note 18).

Going Concern Statement

1 Management's assessment of the entity's ability to continue as a going concern.

The Local Government Pension scheme (LGPS) is a statutory defined benefit scheme and is effectively guaranteed by Government. It operates on a funded basis, which means that contributions from employees and employers are paid into a fund which is then invested, from which pension benefits are paid as they fall due.

The Newham Pension Fund reduces investment risk by diversifying its investments across a number of different types of global assets; these include shares; equities; property; government bonds and company bonds; infrastructure; and private debt. This diversification means that not all assets are affected by economic events.

From time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. For this reason the actuary carries out a smoothing exercise when assessing the valuation of the fund’s assets.

On 11 March 2020 the World Health Organisation (WHO) declared a COVID 19 pandemic. This caused a world-wide public health emergency and significantly impacted global markets which has contributed to both a volatile and a severe decline in the sectors that have been impacted.
As pension benefits are based on salary and length of membership rather than any investment or stock market performance, pension benefits will not be impacted by the current crisis.

The concept of a going concern assumes that the pension fund functions and services will continue in operational existence for the foreseeable future. Local Government Pension Scheme Regulations remain in force with no expectation of any plans to wind up the Newham Pension Fund or the Local Government Pension Scheme.

The Newham Pension Fund continues to operate as usual.

2 What is the process management followed to make its assessment?

In line with statutory requirements the Fund undertakes a valuation every three years to determine the ratio of the Funds’ assets to its liabilities. This funding position is a summary statistic often quoted to give an indication of the health of the fund. The Fund’s triennial valuation at 31 March 2019 reported that the fund had sufficient assets to cover 96% of the accrued liabilities.

The purpose of the valuation is to review the current funding strategy and ensure the Fund has a contribution plan and investment strategy in place that will enable it to pay members’ benefits as they fall due.

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 longer term investment growth and short term yield/return. Any deficits are financed through increased contributions agreed with the actuary and are financed by Council, admitted and scheduled bodies contributions.

The Funds Investment Strategy Statement (ISS) sets out its strategic asset allocation in order to deliver the investment returns which the fund requires to achieve full funding over the longer term. The ISS is continually developed and updated at each quarterly Pensions Committee.
The employer covenant is reviewed on a quarterly basis by the Funds Administrator – Local Pensions Partnership (LPP) to provide early warning of any employer at risk of defaulting on their liabilities and to ensure adequate bonds or guarantees are in place to mitigate that risk. The March 2020 covenant review revealed no material risk to the Fund.
The Fund also monitors the timeliness and value of contributions, this will help us to intervene early if we suspect that an employer is struggling to meet their pension obligations.

The Fund's Investment Advisor reports quarterly to the Pensions Committee at which fund manager performance is reviewed and discussed to ensure that the investment strategy remains on track.

3 What are the assumptions on which the assessment is based including whether the key assumptions underlying the budgets and/or forecasts appear appropriate in the circumstances?

Details on the assumptions used in the valuation are contained within the actuary's 2019 valuation report and Funding Strategy Statement dated July 2019.

The Fund monitors budgets and cash flow on a monthly basis. Cash flow will include predictable payments, such as the monthly pension payroll, or more unpredictable payments such as transfer out payments, retirement lump sums or death benefits. The fund is maturing which means that the cash flow position of the Fund is now negative, contributions from employers and employees are not sufficient to meet the payments of benefits due without needing to utilise investment income, or liquidate investment assets. However, this has been forecast for a number of years and the Committee took steps in invest in income yielding assets.

In establishing an acceptable working cash balance, we wish to determine a sum that is sufficient to cover predictable benefit payments, taking account of expected cash flow, whilst also providing a buffer to meet unpredictable payments together with any deterioration in cash inflow.

Monthly cash reconciliation completed as at 31 October 2020 shows a cash balance of £37m. Based on historical cash movements this is projected forward to ensure that plans can be made to ensure that cash is sufficient to meet the payment of benefits, as can be seen in the following table:

	Actual	**Projected**		
	Cash Balance	**Cash Balance**	**Cash Balance**	**Cash Balance**
	2020/21	**2020/21**	**2020/21**	**2020/21**
	Oct-20	**Mar-21**	**Aug-21**	**Dec-21**
	£m	**£m**	**£m**	**£m**
Balance b/f	**45**	**46**	**32**	**20**
Income	**3**	**3**	**3**	**3**
Outgoings	**-11**	**-6**	**-6**	**-6**
Balance	**37**	**43**	**29**	**17**

4 What are Management's plans for future action?

The Pension Fund Committee continue to monitor manager performance and review the Fund's ISS taking advice from the schemes advisors and officers and take any remedial actions to the portfolio where necessary.

The next triennial valuation is due to take place in 2022. This will assess the funding level at that time and contributions rates and the investment strategy will be reviewed and revised as necessary to ensure that there are sufficient assets to fund the liabilities. The Fund will continue to keep the funding position under review.

The Fund maintains a balance of cash sufficient to meet operational requirements, and this will continue to be monitored on a monthly basis. Currently the cash flow position of the Fund is negative, meaning the contributions from employers and employees are not sufficient to meet the payments of benefits due without needing to utilise investment income, or liquidate investment assets. The Funds cash position is monitored regularly and reported on a quarterly basis to the Pensions Committee.

Over recently years there has change in the investment strategy toward income generating assets i.e private markets boosting investment income to the Fund.

The fund also has a currency hedge in place to remove currency risk from non-sterling denominated assets.

5 Are there any changes in reporting requirements of the entity due to events incidental to the Coronavirus outbreak (including the filing of the annual report and any other filings of financial or non-financial information)?

Although the Fund's net assets decreased by £65m over the year to 31 March 2020, during that last quarter the Fund experienced a decrease in asset values of £157m. During the subsequent months to May 2020 the Fund had almost recovered all of the losses sustained following the pandemic declaration that triggered a severe downturn on global markets, the graph in Note 6 depicts the fund values at the month end between 31/12/2019 and 31/05/2020.

The economic damage is still being felt and it remains to be seen if that upward momentum can continue and much depends on how successful governments are in combating the virus.

6 Are there changes in management and/or entity governance bodies due to events incidental to the Coronavirus outbreak?

The management structure at LB Newham and the Pension Committee membership remains stable.

Due to the robust nature of both the LPP and Newham's Business Continuity plans pension benefits have continued to be made and there has been minimal disruption to service delivery and business continuity. Pension finance staff were provided with laptops to facilitate home working which resulted in no service disruptions to pensions finance activities during COVID-19 working restrictions. Associated third party service providers have also been working from home to provide business continuity.

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

a) Contribution income

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

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contribution in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in.

c) Investment income

- Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement (NAS) as a current financial asset.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), all items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses

All staff costs of the pension administration team are recharged 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 staff costs associated with oversight and governance are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

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 decrease as the value of these investments change.

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the Market value of their mandate as at the end of the year is used for inclusion in the Fund account. In 2019/20 £0.793m of fees are based on such estimates (2018/19 £0.861m).

Private Equity management fees are estimated by taking a portion of the total management fees of the private equity partnership based on the percentage of the Fund holdings with the partnership. In 2019/20 £0.335m of fees is based on such estimates (2018/19: £0.548m).

Net assets statement

g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the NAS 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 asset are recognised in the Fund account.

The values of investments as shown in the NAS have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

h) Foreign currency transactions

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

i) Derivatives

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

j) Cash and cash equivalents

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

k) Financial liabilities

A financial liability is recognised in the NAS on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the NAS is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the NAS (Note 18).

m) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the fund. AVCs are not included in the accounts in accordance with section 4(1) (b) of The LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 20). The AVC provider is Clerical Medical and contributions are also collected for life assurance policies provided by Utmost Life and Pensions (previously managed by Equitable Life).

n) 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 has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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

Note 4: Critical judgements in applying accounting policies

Pension fund liability

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

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised (see Note 18).

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 longer term investment growth and short-term yield/return.

Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The items in the NAS for which there is a significant risk of material adjustment in the following year are as follows.

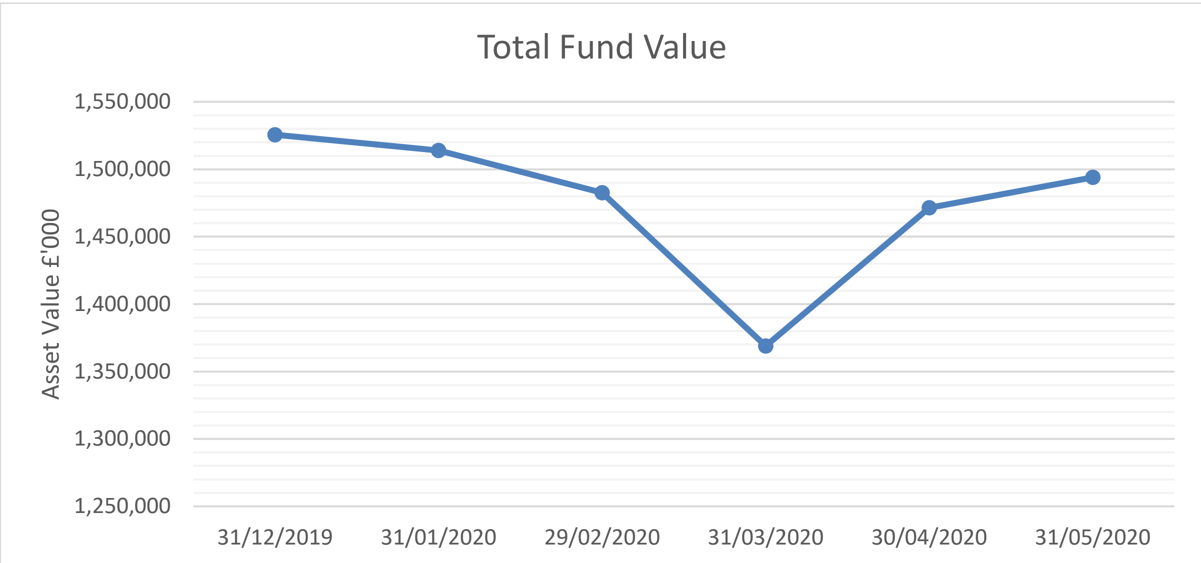
Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates, returns on fund assets and the impact of the judgement regarding age discrimination case in the Fire Service and Judiciary pension schemes, referred as McCloud Judgement. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the present value of total pension obligation in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £43m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3m, and • a one year increase in assumed life expectancy would increase the liability by approximately £98m.
Covid-19	Prior to the COVID-19 pandemic, the Fund had made significant gains with the value reaching £1.49Bn as at 29 February 2020. The pandemic has created market volatility and economic uncertainty affecting the value of the assets in the Fund. There may also be an impact on the pension liabilities in the Fund, for example if the longevity of members differs from that in the actuary's assumptions. At this time, it is too early to determine the full impact that the pandemic will have on the Fund.	Sensitivity analysis of the valuation of unquoted assets (see Note 16). The valuation results and employer contributions were assessed as at 31 March 2019. Employer contributions have not been revisited but the position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity, private debt and real assets investments (Note 14)	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines 2012*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investment in the financial statements is £196m. There is a risk that this investment may be under or overstated in the accounts.
Diversified alternative funds (Note 14)	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total diversified alternative fund value in the financial statements is £58m. There is a risk that this investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% around the net asset values on which the hedge fund of funds valuation is based. This equates to a tolerance of +/- £2.9m.

Note 6: Events after the Reporting Date

The World Health Organisation (WHO) declared a COVID 19 pandemic on 11 March 2020. This caused a world-wide public health emergency and significantly impacted global markets resulting in increased market volatility.

The impact on global markets was at its most severe around 31 March 2020 amid considerable uncertainty about the scale of the problem and ability of the Governments of major economies to implement effective policy responses. However, there has since been a strong recovery in markets and as most of the Fund assets are held in listed assets such as equities and fixed income there has been a strong recovery in Fund values as illustrated in the graph below in the period 31/12/2019 through to 31/05/2020.



Publication of valuation data released by investment managers of illiquid assets (25% of the investment portfolio valuation at 31 March 2020) lag the accounting end date by one quarter and so impact of the pandemic on their valuations does not feature in these financial statement. However given the recovery that has taken place subsequently and ongoing volatility of assets, COVID-19 is considered a non-adjusting event.

Note 7: Contributions Receivable

2018/19 £'000	By Category	2019/20 £'000
12,640	**Employees contributions**	**13,468**
	Employers contributions:	
28,077	Normal contributions	29,495
9,583	Deficit recovery contributions	11,364
1,570	Augmentation contributions	1,840
39,230	**Total Employers contributions**	**42,699**
51,870	**Total**	**56,167**

2018/19 £'000	By Authority	2019/20 £'000
35,041	Administering Authority	38,134
6,755	Admitted Body	6,756
10,074	Scheduled Body	11,277
51,870	**Total**	**56,167**

Note 8: Benefits Payable

2018/19 £'000	By Category	2019/20 £'000
(44,052)	Pensions	(46,698)
(9,940)	Commutation and lump sum retirement benefits	(11,100)
(1,039)	Lump sum death benefits	(1,485)
(55,031)	**Total**	**(59,283)**

£'000	By Authority	£'000
(52,129)	Administering Authority	(54,118)
(927)	Admitted bodies	(2,590)
(1,975)	Scheduled bodies	(2,575)
(55,031)	**Total**	**(59,283)**

Note 9: Payments to and on account of leavers

2018/19 £'000		2019/20 £'000
(321)	Refunds to members leaving service	(545)
(4,117)	Individual transfers	(7,992)
(4,438)	**Total**	**(8,537)**

Note 10: Management Expenses

2018/19 £'000		2019/20 £'000
(630)	Administrative costs	(670)
(4,304)	Investment management expenses	(7,283)
(518)	Oversight and governance costs	(671)
(5,452)	**Total**	**(8,624)**

Note 10a: Investment Management Expenses

Investment management expenses are further analysed below in line with the CIPFA Guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

2018/19 £'000		2019/20 £'000
(4,026)	Management fees*	(5,818)
(145)	Custody fees	(150)
(133)	Transaction fees*	(1,315)
(4,304)	**Total**	**(7,283)**

* The new cost transparency initiative, introduced by the Scheme Advisory Board, provides an industry standard for the recording and reporting of investment expenses. This enables the Fund to provide greater cost analysis and is reflected in the increased figures on investment expenses when compared to the previous year.

Note 10b: External Audit Costs

2018/19 £'000		2019/20 £'000
(16)	Payable in respect of external audit*	(60)
(16)	**Total**	**(60)**

* 2019/20 was a triennial valuation year which requires a great deal of membership analysis and actuary estimation, therefore addition audit work to test assumptions is undertaken.

Note 11: Investment Income

2018/19 £'000		2019/20 £'000
2,575	Fixed interest unit trust	2,466
9,208	Equity dividends	9,028
3,489	Pooled property investments	4,142
3,353	Pooled fixed income	3,230
3,323	Private debt	5,693
4	Real assets	2,581
347	Diversified alternatives	407
767	Interest on cash deposits	701
23,066	**Total**	**28,249**

Note 12: Reconciliation of Movements in Investments and Derivatives

	Market value as at 31 March 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market value during the year	Market value as at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities	401,854	89,912	(70,551)	(61,637)	359,578
Fixed interest securities	84,219	34,824	(34,719)	8,918	93,242
Pooled investments	456,681	23,368	-	(29,995)	450,054
Pooled property investments	144,973	22,750	(7,286)	4,042	164,479
Private equity/debt & real assets	135,036	68,285	(14,781)	7,456	195,996
Diversified alternatives	58,329	13,495	(10,689)	(3,598)	57,537
London collective investment vehicle	150	-	-	-	150
	1,281,242	**252,634**	**(138,026)**	**(74,814)**	**1,321,036**
Derivative contracts:					
Purchased/Written options	-	-	-	10,103	10,103
Forward currency contracts	936	9,586	(5,892)	(13,957)	(9,327)
	1,282,178	**262,220**	**(143,918)**	**(78,668)**	**1,321,812**
Other Investment balances:					
Cash deposits	102,568			967	46,497
Investment income due	2,534			-	2,589
Amount receivable for sales of investments	854			(8)	1,828
Amounts payable for purchases of investments	(3,457)			34	(1,100)
Spot FX Contracts	4			(179)	-
	1,384,681			**(77,854)**	**1,371,626**

	Market value as at 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market value during the year	Market value as at 31 March 2019
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equities	476,499	101,981	(250,584)	73,958	401,854
Fixed interest securities	45,546	69,775	(35,111)	4,009	84,219
Pooled investments	424,129	27,328	-	5,224	456,681
Pooled property investments	131,197	10,727	(7,171)	10,220	144,973
Private equity/debt & real assets	65,404	77,012	(13,740)	6,360	135,036
Diversified alternatives	62,883	25,138	(34,263)	4,571	58,329
London collective investment vehicle	150	-	-	-	150
	1,205,808	**311,961**	**(340,869)**	**104,342**	**1,281,242**
Derivative contracts:					
Forward currency contracts	3,991	6,637	(2,353)	(7,339)	936
	1,209,799	**318,598**	**(343,222)**	**97,003**	**1,282,178**
Other Investment balances:					
Cash deposits	74,768			(1,150)	102,568
Investment income due	2,589			-	2,534
Amount receivable for sales of investments	40,536			(278)	854
Amounts payable for purchases of investments	(720)			(159)	(3,457)
Spot FX Contracts	(289)			(240)	4
	1,326,683			**95,176**	**1,384,681**

Note 12b: Analysis of Investments

Market value as at 31 March 2019 £'000	Analysis of Investments	Market value as at 31 March 2020 £'000
	Equities	
47,346	UK quoted	32,663
354,508	Overseas quoted	326,915
401,854		**359,578**
	Fixed interest securities	
34,192	UK public sector quoted	34,761
50,027	Overseas public sector quoted	58,481
84,219		**93,242**
	Pooled funds - additional analysis	
182,882	UK Equity unit trusts	176,122
115,473	Overseas fixed interest unit trusts	131,838
136,592	Overseas equity unit trusts	119,883
21,734	Overseas managed alternatives	22,211
456,681		**450,054**
	Pooled property investments	
79,302	UK pooled property investments	82,635
65,671	Overseas pooled property investments	81,844
144,973		**164,479**
	Private equity/debt & real assets	
39,965	Overseas private equity	45,001
55,902	Private debt	90,086
39,169	Real assets	60,908
135,036		**195,995**
	Diversified alternatives	
58,329	Diversified alternatives	57,537
58,329		**57,537**
	London collective investment vehicle	
150	London collective investment vehicle	150
150		**150**
	Cash and cash equivalents	
19,267	UK Cash and Bank Deposits	9,072
22,301	Overseas Cash and Bank Deposits	7,909
-	Variation Margin account	1,076
61,000	Temporary Deposits	28,440
102,568		**46,497**

Market value as at 31 March 2019 £'000	Analysis of Investments	Market value as at 31 March 2020 £'000
	Other investment assets	
1,229	Forward currency contracts	31,854
4	Spot FX contracts	-
2,535	Investment income due	2,589
854	Amount receivable for sales	1,828
4,622		**36,271**
	Investment liabilities	
(295)	Derivative liabilities	(31,077)
(3,457)	Amounts payable for purchases	(1,100)
(3,752)		**(32,177)**
1,384,681	**Total investment assets**	**1,371,626**

Note 12c: Investments analysed by Fund manager

Market value as at 31 March 2019 £'000	%	Fund manager	%	Market value as at 31 March 2020 £'000
		Investments managed outside of the London CIV asset pool		
163,925	11.8	Aberdeen Standard	12.4	169,651
16,430	1.2	Arcmont (formally Bluebay)	2.0	29,170
22	-	Baring	-	21
7,278	0.5	Brightwood	1.8	25,207
3,919	0.3	Brockton	0.5	6,348
141,591	10.2	CBRE	11.6	158,745
31,835	2.3	Fiera Capital	3.9	52,828
50,925	3.7	HarbourVest	3.6	49,530
61,000	4.4	In-house temporary cash deposits	2.1	28,440
7,342	0.5	Kgal Capital	0.6	8,609
150	-	London Collective Investment Vehicle	-	150
417,011	30.1	Longview	26.6	364,188
21,734	1.6	Man FRM	1.6	22,211
65,488	4.7	Morgan Stanley	4.3	58,762
3,017	0.2	Northern Trust cash deposits	0.1	1,637
-	-	Payden & Rygel	1.3	18,017
33,052	2.4	Permira	2.7	37,676
35,295	2.6	River & Mercantile	2.9	39,626
5,189	0.4	Robeco	0.4	4,801
		Investments aligned with London CIV asset pool		
319,478	23.1	Legal and General (LGIM)	21.6	296,009
1,384,681	**100**	**Total**	**100**	**1,371,626**

Individual investments exceeding 5% of net assets

	Market value as at 31 March 2019	% of total fund	Market value as at 31 March 2020	% of total fund
	£’000	%	£’000	%
Aberdeen World Opportunistic Bond	110,284	7.97	109,018	7.95
LGIM - <15YR Index-linked gilts	81,244	5.87	84,549	6.16
CBRE Global Alpha Fund	-	-	69,062	5.04
	191,528		**262,629**	

Note 12c: Stock Lending

The Fund does not carry out stock lending directly, and is an investor of a pooled fund with the passive equity manager, LGIM, who carry out stock lending as part of the Fund’s activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the Funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2020, the value of quoted equities on loan was £120m (2018/19: £137m). These equities continue to be recognised in the Fund's financial statements.

Note 13: Analysis of Derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Aberdeen Standard, Morgan Stanley and River and Mercantile. A substantial increase is attributed to the risk overlay solution which has been provided by River and Mercantile. A breakdown of forward contracts held by the Fund as at 31 March 2020 is given below:

Open forward currency contracts

Settlements	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£'000	£'000
Up to one month	GBP	59,406	USD	(77,728)	58	(3,331)
Up to one month	USD	3,774	GBP	(3,022)	64	(43)
One to six months	USD	5,238	GBP	(4,467)	16	(264)
One to six months	GBP	150,562	USD	(190,853)	1,467	(4,650)
One to six months	GBP	51,878	EUR	(61,466)	94	(2,667)
One to six months	EUR	1,598	GBP	(1,488)	-	(72)
Open forward currency contracts at 31 March 2020					**(1,699)**	**(11,027)**
Net forward currency contracts at 31 March 2020						**(9,328)**
Prior year comparative						
Open forward currency contracts at 31 March 2019					**1,229**	**(295)**
Net forward currency contracts at 31 March 2019						**934**

Note 14: Fair Value - Basis of Valuation

Description of asset	Valuation hierarchy	**Basis of valuation**	**Observable and unobservable inputs**	**Key sensitivities affecting the valuations provided**
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period	Not required	Not required
Quoted bonds	Level 1	Market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Overseas bond options	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled investments - unit trusts	Level 2	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Not required
Structured equity	Level 2	Estimated valuation reported by counterparty	Market information such as interest rates, equity values, implied volatility, implied dividends	Reported values are estimates and do not represent trading value to enter into or close a position.
Pooled investments- property funds	Level 3	Closing bid price where bid and offer are 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 Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Pooled investments- hedge funds	Level 3	Closing bid price where bid and offer are 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 Fund’s own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Private (Unquoted) equity / debt and real assets	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	• Earnings before interest, tax, depreciation and amortisation multiple • Revenue multiple • Discount for lack of marketability • Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

The figures set out below are our assessment (rounded for simplicity) of the 1 year volatility for the asset classes held. Markets experienced significant levels of volatility in the months leading up to 31 March 2020 and the valuation ranges allow for that heightened volatility. However, in the longer-term, we expect these ranges to return to levels similar to those shown in last year's accounts.

Description of asset	Assessed valuation range (+/-)	Value as 31 March 2020	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled investments-hedge funds	15%	23,080	26,542	(19,618)
Private equity	15%	45,001	51,751	(38,251)
Property funds	20%	128,942	154,730	(103,153)
Private debt*	20%	90,086	108,103	(72,069)
Real assets**	10%	60,908	66,999	(54,818)
Total		**348,017**	**408,125**	**(287,909)**

*Private debt is combined totals of the following managers; Arcmont , Brightwood & Permira
**Real assets is combined totals of the following managers; Fiera & KGAL

Note 14a: Fair Value Hierarchy

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

Level 1 –where the fair values are derived from adjusted quoted prices in active markets for identical assets or liabilities. 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.

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

Values at 31 March 2020	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant observable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	373,453	613,401	348,017	1,334,871
Assets at amortised cost	65,359	3,573	-	68,932
Financial liabilities at fair value through profit and loss	-	(32,177)	-	(32,177)
Net financial assets	**438,812**	**584,717**	**348,017**	**1,371,626**

Values at 31 March 2019	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant observable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	435,039	577,761	269,676	1,282,476
Assets at amortised cost	103,178	2,778	-	105,956
Financial liabilities at fair value through profit and loss	-	(3,751)	-	(3,751)
Net financial assets	**538,217**	**576,788**	**269,676**	**1,384,681**

Note 14b: Reconciliation of Fair Value Measurements within Level 3

	Market value as at 31/03/2019 £'000	Transfers in/out of level 3 £'000	Purchases £'000	Sales £'000	Unrealised gains (losses) £'000	Realised gains (losses) £'000	Market value as at 31/03/2020 £'000
Pooled investments-hedge funds	23,383	-	5,130	(5,401)	(686)	654	23,080
Private equity	39,965	-	6,670	(7,809)	1,342	4,833	45,001
Property funds	111,257	-	62,962	(49,510)	3,320	913	128,942
Private debt	55,902	-	42,147	(6,681)	(1,952)	670	90,086
Real assets	39,169	-	19,468	(291)	2,579	(17)	60,908
Total	**269,676**	-	**136,377**	**(69,692)**	**4,603**	**7,054**	**348,017**

* table does not add through due to rounding

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 of account.

Note 15: Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading.

Market value as at 31 March 2019				Market value as at 31 March 2020		
Fair value through profit and loss £'000	**Assets at amortised cost £'000**	**Liabilities at amortised cost £'000**		**Fair value through profit and loss £'000**	**Assets at amortised cost £'000**	**Liabilities at amortised cost £'000**
			Financial assets			
401,854	-	-	Equities	359,578	-	-
84,219	-	-	Fixed Interest Securities	93,242	-	-
456,681	-	-	Pooled funds	450,054	-	-
144,973	-	-	Pooled property Investments	164,479	-	-
135,036	-	-	Private equity/debt & real assets	195,995	-	-
58,329	-	-	Diversified alternatives	57,537	-	-
150	-	-	London collective investment vehicle	150	-	-
-	153,286	-	Cash and cash equivalents	-	46,531	-
1,229	-	-	Derivatives	31,854	-	-
4	-	-	Spot currency contracts	-	-	-
2,534	-	-	Other investment balances	2,589	-	-
854	-	-	Amounts receivable for sales	1,828	-	-
-	568	-	Sundry debtors and prepayments	-	854	-
1,285,863	**153,854**	**-**	**Total Financial Assets**	**1,357,306**	**47,385**	**-**
			Financial liabilities			
(295)	-	-	Derivatives	-	-	(31,077)
-	-	(1,863)	Sundry creditors	-	-	(2,476)
-	-	(3,457)	Spot currency contracts	-	-	(1,100)
(295)	**0**	**(5,320)**	**Total Financial liabilities**	**-**	**-**	**(34,635)**
1,285,568	**153,854**	**(5,320)**	**Total**	**1,357,306**	**47,385**	**(34,635)**

Note 15a: Net Gains and Losses on Financial Instruments

31 March 2019 £'000		31 March 2020 £'000
	Financial Assets	
104,340	Fair value through profit and loss	(74,814)
-	Other investment balances	1,002
	Financial Liabilities	
(7,339)	Fair value through profit and loss	(3,854)
(1,825)	Other investment balances	(188)
95,176	**Total**	**(77,854)**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 16: Nature and Extent of Risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Fund risk management programme.

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

Market risk

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

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter (OTC) equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

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

The Fund is exposed to share 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 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. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2019/20, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

In light of the COVID-19 pandemic we have increased the sensitivity as advised by investment advisor to reflect the market movement.

Asset type	Movement %	Market value as at 31 March 2020 £'000	Movement on increased value £'000	Movement on decreased value £'000
Equities	20	359,578	431,494	287,662
Fixed interest securities	20	93,242	111,890	74,594
Pooled funds	20	450,054	540,065	360,043
Pooled property investments	20	164,479	197,375	131,583
Private equity	15	45,001	51,751	38,251
Private debt	20	90,086	108,103	72,069
Real assets	10	60,908	66,999	54,817
Diversified alternatives	15	57,537	66,168	48,906
London collective investment vehicle	20	150	180	120
Cash and cash equivalents	0	46,497	46,497	46,497
Other investment assets	0	36,271	36,271	36,271
Investment liabilities	0	(32,177)	(32,177)	(32,177)
Total Investment assets		**1,371,626**	**1,624,616**	**1,118,636**

Asset type	Movement %	Market value as at 31 March 2019 £'000	Movement on increased £'000	Movement on decreased £'000
Equities	10	401,854	442,039	361,669
Fixed interest securities	10	84,219	92,641	75,797
Pooled funds	10	456,681	502,349	411,013
Pooled property investments	10	144,973	159,470	130,476
Private equity	10	39,965	43,962	35,969
Private debt	10	55,902	61,492	50,312
Real assets	10	39,169	43,086	35,252
Diversified alternatives	10	58,329	64,162	52,496
London collective investment vehicle	10	150	165	135
Cash and cash equivalents	10	102,568	112,826	92,312
Other investment assets	10	4,622	5,084	4,160
Investment liabilities	10	(3,752)	(4,127)	(3,377)
Total Investment assets		**1,384,681**	**1,523,149**	**1,246,213**

Interest rate risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

The Fund recognises that interest rates can vary and affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that there is a low probability that long-term average rates are expected to move less move by more than 100 basis points (1%) from one year to the next and experience suggests that such movements are unlikely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset type	Market value as at 31 March 2020 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Cash and Cash equivalents	46,497	46,962	46,032
Fixed interest securities	225,080	227,330	222,829
Cash balances	34,716	35,063	34,368
Total	**306,293**	**309,355**	**303,229**

Asset type	Market value as at 31 March 2019 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Cash and Cash equivalents	102,568	103,594	101,542
Fixed interest securities	199,692	201,689	197,695
Cash balances	50,718	51,225	50,211
Total	**352,978**	**356,508**	**349,448**

Interest Receivable

Asset type	Market value as at 31 March 2020 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Cash and Cash equivalents	1,074	1,085	1,063
Fixed interest securities	1,744	1,762	1,727
Total	**2,818**	**2,847**	**2,790**

Asset type	Market value as at 31 March 2019 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Cash and Cash equivalents	767	775	760
Fixed interest securities	1,907	1,926	1,888
Total	**2,674**	**2,701**	**2,648**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

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

Asset type	Market value as at 31 March 2020 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas quoted equities	326,915	359,606	294,223
Overseas public sector quoted	58,481	64,329	52,633
Overseas fixed interest unit trusts	131,838	145,021	118,654
Overseas equity unit trusts	119,883	131,872	107,895
Overseas managed alternatives	22,211	24,432	19,990
Overseas pooled property investments	81,844	90,029	73,660
Overseas private debt	90,086	99,095	81,077
Total	**831,258**	**914,384**	**748,132**

Asset type	Market value as at 31 March 2019 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas quoted equities	354,508	389,959	319,057
Overseas public sector quoted	50,027	55,029	45,024
Overseas fixed interest unit trusts	115,473	127,020	103,926
Overseas equity unit trusts	136,592	150,251	122,933
Overseas managed alternatives	21,734	23,907	19,560
Overseas pooled property investments	65,671	72,238	59,104
Overseas private debt	55,902	61,492	50,311
Total	**799,907**	**879,896**	**719,915**

a) **Credit risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the Fund invests an agreed percentage of its Funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency, as shown below.

Summary	Rating	Asset value as at 31 March 2019 £'000	Asset value as at 31 March 2020 £'000
Held with Custodian			
Northern Trust custody cash accounts	AAA	41,568	18,057
Money market funds			
BNP Paribas	AAA	27,100	-
Federated Prime Rate	AAA	17,940	-
Standard Life	AAA	5,600	-
Bank current accounts			
Lloyds	AA-	78	35
Total		**92,286**	**18,092**

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

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2020 and 31 March 2019 (£1.1m and £1.9m respectively) were received in the first two months of the respective financial year.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £1.7m (31 March 2019: £56.3m).

The Fund also has access to an overdraft facility for short-term cash needs (up to seven days). This facility is only used to meet timing differences on pension payments. As at 31 March 2020 the balance on this facility stood at £0 (31 March 2019: £0). The Fund last used the overdraft facility in April 2019 for 1 day.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2020 the value of liquid assets represented 73.7% of the total Fund value (31 March 2019: 79.8% of the total Fund assets).

b) **Refinancing risk**

The key risk is that the Authority will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategy.

Note 17: Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and comes into effect on 1 April 2020.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring addition employer contributions.

At the 2019 actuarial valuation, the Fund was assessed as 96% funded (85% at the March 2016 valuation). This corresponded to a deficit of £58m (2016 valuation: £201m) at that time.

Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer.

The following employers have no active members, nor have they made any contributions to the Fund in either 2018/19 or 2019/20 however each employer may have deferred, pensioner, dependent or frozen members;

- Community Links
- David Webster Ltd
- East London Waste Authority
- FM Conway
- Greenwich Leisure Ltd
- Independent Housing Ombudsman
- Magistrates Court
- Newco Enterprises
- Stratford Renaissance Partnership
- Thames Gateway London Partnership

The contribution rates for each employer are as follows.

Employer Name	Status	Contribution Rate	Employee Contribution 2018/19	Employee Contribution 2019/20	Employer Contribution 2018/19	Employer Contribution 2019/20
1. Active Newham	Admitted body	17.6	11	12	112	34
2. Agate Momentum Trust	Scheduled body	18.6	56	61	177	187
3. Better Together	Admitted body	12.0	11	11	20	20
4. Big Education Trust (School 21)	Scheduled body	12.0	74	84	138	155
5. Birkin	Admitted body	17.7	0	0	1	1
6. Bobby Moore Academy	Scheduled body	12.0	27	17	67	28
7. Boleyn Trust	Scheduled body	23.8	318	340	1,216	1,334
8. Brampton Manor School	Scheduled body	23.5	77	84	273	299
9. Britannia Education Trust	Scheduled body	22.1	23	23	92	83
10. Burnt Mill Academy Trust	Scheduled body	24.1	41	43	161	168
11. Carpenters TMO	Admitted body	Ceased	0	0	-4	0
12. Chobham Academy	Scheduled body	12.0	67	75	137	150
13. Churchill	Admitted body	25.3	2	2	11	11
14. Education Links Academy Trust	Scheduled body	13.5	13	13	30	31
15. Community Schools Trust	Scheduled body	19.3	102	118	307	345
16. Compass	Admitted body	14.7	2	4	7	14
17. Change Grow Live	Admitted body	14.7	5	3	10	6
18. Early Start	Admitted body	14.5	62	59	144	139
19. East London Science School	Scheduled body	15.9	44	38	114	91
20. EKO Trust	Scheduled body	15.1	137	148	341	360
21. Enabled Living	Admitted body	18.5	54	54	166	165
22. Every Child	Admitted body	15.9	71	22	182	168
23. iXact	Admitted body	20.2	118	144	417	501
24. Juniper Pursuits*	Admitted body	19.6	716	241	1,974	823
25. Juniper Ventures*	Admitted body	19.5	0	378	0	1,293
26. Langdon School	Scheduled body	23.5	96	119	365	440
27. Language Shop	Admitted body	12.0	25	40	43	70
28. LBN	Administering Authority	20.5	8,340	9,092	26,701	29,042
29. Leading Learning Trust	Scheduled body	17.2	81	95	225	258
30. Learning in Harmony	Scheduled body	19.8	214	221	708	722

Employer Name	Status	Contribution Rate	Employee Contribution 2018/19	Employee Contribution 2019/20	Employer Contribution 2018/19	Employer Contribution 2019/20
31. London Academy of Excellence	Scheduled body	12.0	20	20	37	38
32. London Design and Engineering	Scheduled body	12.0	32	45	58	81
33. London Network for Pest Solutions	Admitted body	14.7	30	31	71	72
34. Mint	Admitted body	20.4	133	142	490	522
35. Mitie PFI	Admitted body	20.2	4	4	13	12
36. New Vision Trust	Scheduled body	17.5	185	191	624	633
37. Newham College of Further Education	Scheduled body	16.7	409	411	969	1,017
38. Newham Collegiate	Scheduled body	18.4	20	23	56	60
39. Newham Community Schools Trust	Scheduled body	19.3	57	81	168	239
40. Newham Partnership Working	Admitted body	20.2	171	140	471	414
41. Newvic College	Scheduled body	14.2	170	156	370	346
42. Oasis Academy	Scheduled body	12.0	17	20	33	38
43. Olive Dining – Cumberland*	Admitted body	19.5	0	5	0	17
44. Olive Dining - Forest Gate*	Admitted body	22.4	114	2	37	14
45. Olive Dining – Plashet*	Admitted body	22.4	0	4	0	14
46. Olive Dining - St.Angela's*	Admitted body	23.0	0	2	0	9
47. Our Lady of Grace	Scheduled body	25.5	72	122	294	495
48. Pabulum – Lister*	Admitted body	25.3	0	5	0	22
49. Pabulum Monega*	Admitted body	22.9	15	2	64	8
50. Public Realm Services	Admitted body	17.1	120	135	390	437
51. RM Education	Admitted body	12.0	12	2	55	34
52. Stratford School	Scheduled body	15.6	53	54	135	135
53. Tapscott Leading Trust	Scheduled body	19.7	132	222	445	720
54. The Good Support Company	Admitted body	19.3	85	105	311	376
55. Wilson Jones	Admitted body	14.5	3	3	7	7
			12,640	**13,468**	**39,230**	**42,698**

* Employer separated by service/school in 2019/20
NB: Table may not add down due to rounding.

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

Financial assumptions in the 2019 Actuarial Valuation

Assumed returns at	31 March 2020	31 March 2019	31 March 2018
Discount rate	2.35%	2.40%	2.55%
Pension increases	1.90%	2.40%	2.30%
Salary increases	2.90%	3.90%	3.80%

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was as follows.

Life expectancy from age 65		31 March 2020	31 March 2019
Retiring today	Males	21.2	21.6
	Females	23.9	24.0
Retiring in 20 years	Males	22.8	23.3
	Females	25.5	25.8

Commutation assumptions

Members will exchange half of their commutable pension for cash at retirement;

50:50 option

Less than 1% of active members (evenly distributed across age, service length and salary range) have taken up the 50:50 option.

Note 18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the 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 17). The actuary has also used valued ill health and death benefits in line with IAS 19.

2018/19 £m		2019/20 £m
(2,377.4)	Present value of promised retirement benefits	(2,163.3)
1,434.5	Fair value of scheme assets (bid value)	1,372.7
942.9	**Net Liability**	**790.6**

An allowance for the potential impact of the McCloud & Sargeant judgement is included in the present value of promised retirement benefits.

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note 19: Current Assets

2018/19 £'000		2019/20 £'000
458	Contributions due – employees	480
1,449	Contributions due – employers	635
568	Prepayments	854
50,718	Cash balances	35
53,193	**Total Current Assets**	**2,004**

Note 20: Additional Voluntary Contributions

Market value at 31 March 2019 £'000		Market value at 31 March 2020 £'000
736	Clerical Medical	802
195	Utmost Life and Pensions	156
931	**Total**	**958**

AVC contributions of £0.038m were paid directly to Clerical Medical during the year (£0.089m 2018/19). There have been no further contributions to Equitable Life either financial year.

These amounts are not included in the Fund accounts in accordance with Regulation 4 (1) (b) of the LGPS (management and Investment of funds) Regulations 2016.

Note 21: Agency Services

The Fund pays discretionary awards to the former teachers of the London Borough of Newham, the amounts are fully reclaimed.

2018/19 £'000		2019/20 £'000
315	Payments on behalf of London Borough of Newham	307
315	**Total**	**307**

Note 22: Related Parties

The Fund is administered by the London Borough of Newham. During the reporting period, the Council incurred costs of £0.88m (2018/19: £0.84m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 10). As at 31 March 2020 the Fund owed the Council £1.45m (2018/19: £0.86m).

Of the Pensions Committee members there are no active members of the LGPS and four deferred members; Councillor John Gray, Councillor James Asser, Councillor Joshua Garfield (vice-chair) and Councillor Zulfiqar Ali.

Note 22a: Key Management Personnel

Key management personnel are members of the pension fund committee, the Corporate Director of Resources, the Director of Exchequer and Transactional Services and the Head of Pensions & Treasury for oneSource. Total remuneration payable to key management personnel which is recharged to the Fund is set out below:

2018/19 £'000		2019/20 £'000
38	Short-term benefits	38
1,094	Post-employment benefits	1,085
1,132	**Total**	**1,123**

Note 23: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments for private debt, property, private equity and diversified alternatives at 31 March 2020 totalled £246m (31 March 2019: £135m). There are no contingent liabilities to report.

Four admitted body employers in the Fund hold insurance bonds and ten admitted bodies have a guarantee in place with the Local Authority to guard against the possibility of being unable to meet the pension obligations. These bonds/guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in either 2019/20 or 2018/19.

New admitted bodies may be required to put an insurance bond in place if stipulated in the actuary's report. Admissions to the Fund are considered by the Pensions Committee.

Investment Strategy Statement 2019/20

1. Introduction

This is the fourth Investment Strategy Statement (ISS) adopted by the London Borough of Newham (LBN) Pension Fund ("the Fund") and reflects the conclusions drawn from the strategy review undertaken in 2015 and 2016.

Under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 LBN is required to publish this ISS. It replaces the ISS adopted which in turn replaced the Statement of Investment Principles which was previously required under Schedule 1 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Regulations require administering authorities to outline how it meets each of 6 objectives aimed at improving the investment and governance of the Fund.

Although this ISS is new, the objectives behind it form the basis for robust investment and governance of the Fund's assets and, as such, have not caused LBN to make significant changes to their governance framework.

This Statement addresses each of the objectives included in the 2016 Regulations:

A requirement to invest fund money in a wide range of instruments

- The authority's assessment of the suitability of particular investments and types of investment
- The authority's approach to risk, including the ways in which risks are to be measured and managed
- The authority's approach to pooling investments, including the use of collective investment vehicles
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

We deal with each of these in turn below.

The Pension Committee (PC) of LBN oversees the management of the Fund's assets. Although not trustees, the Members of the PC owe a fiduciary duty similar to that of trustees to the council-tax payers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

The relevant terms of reference for the PC within the Council's Constitution (8.07 2) are:

- To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Corporate Director of Resources to determine as set out in the officers' scheme of delegation.
- Consideration and approval of the authority statement of accounts in accordance with the relevant Accounts & Audit Regulations made from time to time.

The PC shall be a member of the Local Authority Pension Fund Forum.

The PC has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents
- Reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights

The Corporate Director of Resources and the appointed consultants and actuaries support the PC. The day-to-day management of the Fund's assets is delegated to investment managers. Elements of the fund allocation in the property and diversified alternatives portfolio are managed in-house with adviser support.

This ISS will be reviewed at least once a year, or more frequently as required - in particular following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the FSS.

Under the previous Regulations the Statement of Investment Principles required to state how it complies with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations this information is given in Appendix A. In addition, Appendix B includes a disclosure of the Fund's policy on how the PC discharge their stewardship responsibilities.

2. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the PC is aware of the risks it runs within the Fund and the consequences of these risks.

In order to control risk the PC recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return, such as market, manager skill and through the use of less liquid holdings.
- Diversity in the asset classes used
- Diversity in the approaches to the management of the underlying assets.

A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

This approach to diversification has seen the Fund dividing its assets across 4 broad categories; equities, bonds, real assets (i.e. assets with some form of link to inflation) and absolute return strategies. The size of assets invested in each category will vary depending on investment conditions. However, it is important to note that each category is itself diversified.

The main risk the PC are concerned with is to ensure the long-term ability of the fund to meet pension, and other benefit obligations, as they fall due is met. As a result the PC place a high degree of importance on ensuring the expected return on the assets is sufficient to do so, and does not have to rely on a level of risk which the PC considers excessive.

Whilst the Fund currently has a surplus of income over expenditure the PC is mindful that this position may change in future and keeps the liquidity within the Fund monitored.

At all times the PC takes the view that their investment decisions, including those involving diversification, in the best long term interest of Fund beneficiaries.

To mitigate these risks the PC regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. In addition to keeping their investment strategy and policy under regular review the PC will keep this ISS under review to ensure that it reflects the approaches being taken.

The table in Section 5.3 provides detail on the asset allocation.

Changes to the European Directive governing the treatment of investors by investment managers saw LBN (along with other local authorities in the UK) opt to be treated as a professional client for the purposes of MIFID II. This was done during the year and enabled the Fund's investment strategy to continue without requiring any change.

3. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

When assessing the suitability of investments LBN takes into account a number of factors:

- Prospective return
- Risk, including macro-economic risk
- Concentration
- Risk management qualities the asset has, when the portfolio as a whole is considered
- Geographic and currency exposures
- Whether the management of the asset meets the Fund's ESG criteria.

Suitability is a critical test for whether or not a particular investment should be made.

Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against. In addition the Funding Strategy Statement implies a performance target for the Fund as a whole (CPI + 3.0% p.a.)

The PC monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the PC will also compare the Fund asset performance with those of similar funds.

The PC relies on external advice in relation to the collation of the statistics for review.

4. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

The PC recognises that there are a number of risks involved in the investment of the assets of the Pension Fund amongst which are the following:

Geopolitical and currency risks:

- are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

Solvency and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy

Custodial risk:

- is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

Environmental, Social and Governance ('ESG') risk:

- It is recognised that ESG and ethical issues have the potential to impact on the long term financial viability of an organisation. The PC monitors both developments within the investment environment and the voting of its appointed managers, supported through regular reporting from the Fund's custodian on the voting and engagement activity of its investment managers.

Funding of the Fund is based upon financial and demographic assumptions determined by the actuary. The main risks to the Fund are highlighted within section 7 of the Funding Strategy Statement. The risks to the Fund are controlled in the following ways:

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Managers from deviating
- Significantly from the intended approach while permitting the flexibility for Managers to enhance returns
- The appointment of more than one Manager with different mandates and approaches provides for the diversification of Manager risk

The investment management agreements constrain the Manager's actions in areas of particular risk and set out the respective responsibilities of both the Manager and LBN.

LBN and the PC are aware investment risk is only one aspect of the risks facing the Fund. The other key risk they are aware of is the ability of LBN to meet the future contributions, support the investment risk (i.e. the level of volatility of investment returns) and underwrite actuarial risk, namely the volatility in the actuarial deficit and the impact this has on contributions.

LBN and the PC are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the PC carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate.

Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and also the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult.

The PC is also mindful that correlations change over time and at times of stress can be significantly different from they are in more benign market conditions.

To help manage risk the PC uses an external investment adviser to monitor the risk. In addition when carrying out their investment strategy review the PC also had different investment advisers asses the level of risk involved.

The Fund targets a long-term return in excess of CPI +3.0% p.a. and the Fund's Independent Adviser has confirmed that the current long-term investment strategy is expected to produce an investment return in excess of this amount. The investment strategy is considered to have a low degree of volatility and currently targets volatility of 10% over the medium-term.

When reviewing the investment strategy on a quarterly basis the PC considers advice from their Investment and Economic Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable.

At each review of the ISS the assumptions on risk and return and their impact on asset allocation will be reviewed.

The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives either directly or through pooled investments. The Fund may also make use of directly held derivatives for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

5 Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles.

LBN recognises the government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

In this regard the Fund has indicated to the Government in its submission in 2016 that when opportunities to have assets within the investment strategy managed by an appropriate pooling partner it will give these consideration.

LBN and the PC are aware that certain of the assets held within the Fund have limited liquidity and moving them would come at a cost. Whilst it is the expectation to make use of the pooling partner for the management of the majority of the Fund assets in the longer term, the PC recognises that transitioning from the current structure to the pooling partner will be a protracted exercise spread over a number of years to ensure unnecessary costs are not incurred.

The table below shows the assets the Fund anticipates will be invested with the pooling partner, when the appropriate management becomes available, and those which it expects to sit outside of those managed by their pooling partner.

Asset Class	Fund Current Allocation	PC Approved SAA
	%	%
Fixed Income	**12**	**14**
-Investment Grade	8	4

Asset Class	Fund Current allocation	PC Approved SAA
-Inflation linked debt	4	5
-Global High Yield	0	5
Equities	**55**	**39**
Property	**9**	**16**
-Property Funds	9	13
-Infrastructure	0	3
Alternatives (ultimately Pooled)	**5**	**15**
-Private Equity	3	5
-Private Debt	2	10
Alternatives (Pooling not anticipated)	**7**	**12**
-Diversified / Liquid Alternative funds	7	12
Tactical Asset Allocation (Pooling not anticipated)	**9**	**4**
Cash	**3**	**0**

The PC is in the process of transitioning the assets from the current holdings above to the long term strategic asset allocation approved by the PC shown in the table above. This transition process takes into account market conditions and investment opportunities. Until the transition is complete asset allocations will lie in the range between the two columns in the table above with a margin of +/- 1% on each to allow for the impact of market movements.

At each review of the investment strategy, which will happen at least every three years, the investment of the above assets will be actively considered by the PC, and in particular whether a collective investment option is appropriate.

More information on the preferred pooling partner and its operation is included in Appendix C of this statement.

6 Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

A full of review of the Fund's approach to Socially Responsible Investment was completed in 2012/13. The Fund adopted an ESG Policy which outlines its approach to the management of Environmental, Social and Governance (ESG) issues within its investment portfolio. The ESG Policy is publically available and will be reviewed as deemed appropriate.

As a responsible investor the LBN Pension Fund wishes to promote corporate social responsibility, good practice and improved performance amongst all Companies in which it invests. Whilst there has been a great deal of emphasis on the relationship of business, financial and economic factors to investment performance, the impact on returns of less tangible non-financial and reputational factors is more difficult to identify. Nevertheless it is clear that adverse publicity relating to low corporate, environmental or social standards can have an adverse impact on shareholder value, the Fund, its beneficiaries and local taxpayers. By having a good public image, the morale of the workforce will be higher, thus making it easier to attract and retain quality employees. The Fund considers that the pursuit of high corporate social responsibility standards by Companies will lead to higher returns in the long term. A good public image may help to increase sales volumes. An improved financial standing will improve credit ratings, thus allowing a company to attract lower cost funding. By addressing outside factors, the company is able to demonstrate an above average standard of management competence which will improve the long term potential and sustainability of the organisation. At the very least the Fund expects the Companies in which it invests to comply with all applicable laws and regulations in home markets and to conform to local best practice when operating overseas.

In furtherance of this stance the Fund will support standards of best practice by Companies in both the disclosure and management of corporate social responsibility issues consistent with the Fund's fiduciary responsibilities. To this end the Fund will pursue a policy of active shareholder engagement with companies using its own efforts, those of its Fund managers and alliances with other investors. To this end the Fund is a member of, and engages with, the Local Authority Pension Fund Forum, Institutional Investors Group on Climate Change and Pensions and Life Savings Association.

On occasions the Chair and Members of the PC has attended company AGMs to raise questions on matters concerning socially responsible issues, such as labour standards. There is potential for a company to improve its reputation and financial standing from positive engagement by addressing issues that if ignored, may be detrimental to the organisations long term standing.

The Fund will consider excluding certain types of investment from its actively managed portfolios, following appropriate advice on the implications for performance and diversification. Fund managers are instructed not to invest segregated elements of their portfolio in companies that generate over half of their income from tobacco products on investment prospects grounds and in keeping with LBN's public health agenda. Fund managers are required to have policies regarding ESG issues and to monitor their compliance with those policies.

7 Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

The Fund is committed to making full use of its shareholder rights, and this is also covered in its ESG Policy. The Fund's policy on voting rights is based on the Cadbury, Greenbury and Hampel codes, as well as the stock exchange combined code, and the principles of protecting shareholder rights, minimising risk and enhancing value.

The Fund expects its Fund Managers to vote in an appropriate and informed manner and report their voting actions in their quarterly investment reports. The exercise of shareholder's rights is delegated to the Fund Managers as part of their mandate. Fund Managers will vote in accordance with their Corporate Governance Policy Statements. These policy statements have been developed with the recommendations of Institutional Shareholder Service (ISS), Pensions and Lifetime Savings Association of Pension Funds (PLSA) and the Association of British Insurers (ABI).

8 Feedback on this statement

Any feedback on this investment Strategy Statement is welcomed. If you have any comments or wish to discuss any issues then please contact:

Conrad Hall,
Corporate Director of Resources
Newham Dockside,
1000 Dockside Road, London E16 2QU
Email: **conrad.hall@newham.gov.uk**

Investment Strategy Statement: Appendix A

Compliance with CIPFA Pensions Panel Principles for investment decision making in the local government pension scheme in United Kingdom

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012',

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

The Secretary of State has previously highlighted the principle contained in Roberts. Hapwood whose administering bodies exercise their duties and powers under regulations governing the investment and management of Funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are seen as supporting this approach. The principles, together with the Fund's position on compliance, are set out below:

Principle 1 - Effective decision making

Administrating 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; and**
- **Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

Full Compliance

The council has delegated the management and administration of the pension fund to the PC, which meets at least quarterly. The responsibilities of the PC are described in paragraph 1.4 of the Investment Strategy Statement.

The PC is made up of elected members of the Council who each have voting rights and has representatives from the admitted and scheduled bodies within the Fund and from trade unions, as observers.

The PC obtains and considers advice from and is supported by the Corporate Director of Resources, One Source Finance and as necessary from the Fund's appointed actuary, investment managers and advisors. A review of the investment advice received by the Fund was completed in 2014/15, to ensure it continues to be fit for purpose in the changing investment and legislative environment.

The PC has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the scheme's regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Business plans are presented to the PC annually and progress is monitored on a quarterly basis.

Several of the PC members have extensive experience of dealing with Investment matters and training is made available to new PC members. PC Members are required to undertake a minimum of three days of investment training a year – there is an on-going programme of training available to members. The PC has adopted the CIPFA Knowledge and Skills Framework.

Principle 2 - Clear objectives

An overall investment objective(s) should be set for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Full Compliance

The aims and objectives of the Fund are set out within the FSS and within the Investment Strategy Statement. The main fund objective is to meet the cost of pension liabilities and to enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the taxpayers and admitted bodies.

The investment strategy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Fund while achieving a good return on investment (see paragraphs 4 and 5 above). The approach taken reflects the Fund's liabilities and was decided upon without reference to any other funds. The Fund's performance is measured against the investment objective on a quarterly basis.

The Fund's strategy is regularly reviewed.

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating 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.

Full Compliance

The PC has, in conjunction with its advisers, agreed an Investment Strategy that is related to the Fund's liabilities. An actuarial valuation of the fund takes place every three years, with the next triennial valuation taking place in 2019. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

The Investment Allocation of the Fund is set to maximise the potential to close the funding deficit over future years. The current allocation is outlined in paragraph 5.3 of the Investment Strategy Statement.

During 2014/15, the Fund established an Admitted/Scheduled Body policy, which will outline its approach to assessing the strength of the covenant for participating employers and the risk assessment undertaken when new employers wish to join the Fund. This was later updated in February 2017.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. 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

Full Compliance

The PC has appointed investment managers with clear index strategic benchmarks (see paragraph 4.2 above) within an overall Investment objective which place maximum accountability for performance against that benchmark on the manager.

The managers are monitored at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Barnett Waddingham, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover portfolio risk is measured on quarterly basis and the risk/return implications of different strategic options are fully evaluated.

The advisor is assessed on the appropriateness of asset allocation recommendations and the quality of advice given.

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.

The PC monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition the PC receive quarterly reports as to how the Fund has performed against their investment objective. The performance figures are included in the extract from the accounts which is included in the Fund's annual report.

Principle 5 – Responsible Ownership

Administering authorities should:

- **Adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.**
- **Include a statement of their policy on responsible ownership in the statement of investment principles.**
- **Report periodically to scheme members on the discharge of such responsibilities.**

Full Compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 7.1 of the Investment Strategy Statement and in the Fund's ESG Policy. Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports.

The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests – the Fund's approach to this is outlined in paragraph 7.2 of the Investment Strategy Statement and in the Fund's ESG Policy.

This Investment Strategy Statement and the ESG Policy are both publically available to all scheme members.

Principle 6 – Transparency and reporting

Administering authorities should:

- **Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.**
- **Provide regular communications to scheme members in the form they consider most appropriate.**

Full Compliance

Links to the Governance Compliance Statement, the Investment Strategy Statement, the FSS, the ESG Policy and the Communications Statement are all included in the Pensions Fund Annual Report which is published and is accessible to stakeholders of the Fund on the Council's web site, internal intranet and a website developed specifically for the Fund.

All Committee meetings are open to members of the public and agendas and minutes are published on the Council's website and internal intranet. The Fund's Annual Report includes an assessment of the Fund's performance and an extract from the accounts is sent to stakeholders annually.

Investment Strategy Statement: Appendix B

Compliance with the Stewardship Code

The Stewardship Code is a set of principles or guidelines released in 2010 and updated in 2012 by the Financial Reporting Council directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

The seven principles, together with the council's position on compliance, are set out below:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Stewardship responsibilities are outlined in section 1.4 of the Investment Strategy Statement, which outlines the terms of reference of the PC.

Investment Managers, authorised under the regulations, are appointed to manage virtually all the assets of the Fund. The PC actively monitor the Fund Managers through quarterly performance analysis, annual and periodic meetings with the Fund Managers and through direct monitoring by the Fund's investment advisor, which includes monitoring and reporting on:

- Fund manager performance
- Investment Process compliance and changes
- Changes in personnel (joiners and leavers)
- Significant portfolio developments
- Breaches of the IMA
- Business wins and losses; and
- Corporate and other issues.

Voting is delegated to Fund Managers through the Investment Management Agreement (IMA), which is reported on a quarterly basis to PC members via the Council's intranet site.

All the Fund's equity, fixed income and diversified managers have signed up to the FRC Stewardship Code including:

- Aberdeen Asset Management (Fixed Income) Legal and General (Equities and Fixed Income) Longview Partners (Equities)
- Morgan Stanley (Diversified Alternatives) CBRE (Property)
- Permira, Brightwood and Arcmont (Private Debt)

2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The PC encourages its fund managers to have effective policies addressing potential conflicts of interest.

PC members are also required to make declarations of interest prior to all PC meetings.

3. Monitor their investee companies.

Day-to-day responsibility for managing the Fund's investments are delegated to the relevant fund managers, who are expected to monitor companies, intervene where necessary, and report back regularly on activity undertaken.

The Fund's expectations with regards to voting and engagement activities are outlined in its ESG Policy.

Reports from fund managers on voting and engagement activity are received and will be reported to the PC members on a quarterly basis. Concerns are raised directly with the fund managers and issues raised are reported back to the PC at the subsequent PC meeting.

Fund manager Internal Control reports are monitored, with breaches reported back to the PC.

4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. The Fund's expectations with regards to voting and engagement activities are outlined in its ESG Policy.

The Fund Managers are expected to have their own ESG policy and to disclose their guidelines for such activities in their own statement of adherence to the Stewardship Code.

5. Willing to act collectively with other investors where appropriate.

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

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF provides ad hoc briefings on companies where contentious votes are due or there are serious corporate governance failings or concerns. Where these relate to companies within the Fund's portfolio, these concerns are raised with the relevant fund manager and appropriate action is taken. Where LAPFF issue a voting direction on a particular issue, fund managers will be expected to comply with this or explain any non-compliance.

Where possible, the Fund seeks to exercise its voting rights attached to its non-UK equity holdings by delegation through Power of Attorneys.

On environmental issues in particular, the Fund also pursues engagement with companies through membership of the Institutional Investors Group on Climate Change (IIGCC). One of the core objectives of the IIGCC is to engage in dialogues**.**

6. Have a clear policy on voting and disclosure of voting activity.

The Fund currently votes on all decisions and this is reported via Northern Trust. The Fund's approach to voting is clearly outlined in the Investment Strategy Statement and ESG Policy,

7. Report periodically on their stewardship and voting activities.

A section on voting is included in each quarterly Business Plan Update, with a yearly review of the policy.

The Fund's annual report includes information about the Fund's voting and engagement work.

Investment Strategy Statement: Appendix C – Risk Register

Risk assessment completed by	Stephen Wild	Head of Pensions and Treasury	Conrad Hall	Corporate Director of Resources	March 2020

Risk No.	Details of Risk, Including Consequences	Risk Owner	Controls	% Complete	Date of Next Review	Control Owner	Assessment of Risk
1	**Business Objective**: **To ensure that the Fund plans its finances effectively to deliver its strategic priorities.**						
	Poor governance and lack of professional advice or poor advice giving rise to detrimental decision making, leading to loss of investment opportunities and adverse performance.	Conrad Hall	Knowledge and skills training for members of the IAC	100%	31/03/2021	Stephen Wild	1
			Review of the Investment Strategy Statement, Funding Strategy Statement, State of the Nations document	100%	31/03/2021	Stephen Wild	
			Scrutiny and support from the Local Pensions Board	100%	31/03/2021	Stephen Wild	
			Monitoring of advice received from Investment Advisor and Macro-Economic Advisor	100%	31/03/2021	Stephen Wild	
2	**Business Objective**: **To ensure that the Fund is in sound financial health**						
	Fund's actuary's assumptions at the Triennial valuation not realised - giving rise to a larger deficit and therefore requirement for higher employer contributions.	Conrad Hall	Strategic asset allocation designed to achieve appropriate balance between capital protection and diversification.	100%	31/03/2021	Stephen Wild	2
			Quarterly valuation update to monitor returns against triennial valuation assumptions.	100%	31/03/2021	Stephen Wild	
			Developments monitored via Fund's Actuary – next triennial valuation being completed in 2022	80%	31/03/2021	Stephen Wild	
			Deficit monitoring of contributions	80%	31/03/2021	Stephen Wild	
3	**Business Objective**: **To ensure that the Fund is in sound financial health.**						
	Declining active membership leading to negative cash flow from dealings with members, requiring assets to be realised to meet liabilities.	Conrad Hall	Strategic asset allocation re-aligned towards higher yielding assets to increase investment income.	80%	31/03/2021	Stephen Wild	2
			Cash flow forecasting and modelling.	100%	31/03/2021	Stephen Wild	
			Promotional campaign for LBN staff	100%	31/03/2021	Sarah Bryant	

Risk No.	Details of Risk, Including Consequences	Risk Owner	Controls	% Complete	Date of Next Review	Control Owner	Assessment of Risk
4	**Business Objective** — **To ensure that the Fund is in sound financial health**						
	Risk employer goes into default due to Covid-19, deficit on termination, change of status, financial risk.	Conrad Hall	Actuarial assessment completed for all new admission requests to assess level of risk	100%	31/03/2021	Sarah Bryant	1
			Bonds or suitable guarantees put in place to protect the Fund in case of default	100%	31/03/2021	Sarah Bryant	
			Funding level of each employer assessed as part of triennial valuation, and contribution rates set accordingly.	100%	31/03/2021	Sarah Bryant	
5	**Business Objective** — **To ensure that the Fund is in sound financial health**						
	Assets and liabilities impacted by investment performance in light of Covid-19 - assets could fail to increase at the same rate as liabilities giving rise to a larger deficit and therefore requirement for higher contributions	Conrad Hall	Strategic asset allocation designed to achieve appropriate balance between capital protection and diversification. Reviewed at quarterly strategy meetings.	100%	31/03/2021	Stephen Wild	1
			Monitoring of Investment Managers' performance, with meetings held on an exceptions basis where performance is below benchmark	100%	31/03/2021	Stephen Wild	
			Quarterly valuation update to monitor returns against triennial valuation assumptions.	100%	31/03/2021	Stephen Wild	
6	**Business Objective** — **To ensure the Fund has effective methods for paying people and organisations**						
	Poor administration by the Pension Fund, employers and payroll providers in the Fund giving rise to inaccurate data with financial and reputational consequences, actuary to set contribution rates with high margin of error.	Conrad Hall	Annual monitoring of membership records, valuation checks	100%	31/03/2021	Sarah Bryant	1
			Annual reconciliation between payroll and scheme membership data,	100%	31/03/2021	Sarah Bryant	
			Data Cleansing exercise and actuary data report	100%	31/03/2021	Sarah Bryant	

Risk No.	Details of Risk, Including Consequences	Risk Owner	Controls	% Complete	Date of Next Review	Control Owner	Assessment of Risk
7	**Business Objective** – **Ensure that the Fund has a robust approach to managing its risk and has good internal control**						
	The Pension Fund relies on third party providers for its investment management, administration and custodial services and any poor performance will adversely impact on the Fund.	Conrad Hall	Adequate contract monitoring to ensure performance standards and financial security of external providers.	80%	31/03/2021	Stephen Wild	2
			Fund managers reviewed by investment advisor.	100%	31/03/2021	Stephen Wild	
			Monitoring of audited accounts to ensure consistent asset valuation.	100%	31/03/2021	Stephen Wild	
			Monitoring of LGPS pool: LCIV	100%	31/03/2021	Stephen Wild	
8	**Business Objective** – **Ensure that the Fund has a robust approach to managing its risk and has good internal control**						
	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education	Conrad Hall	Life Certificate check on all pensioners in receipt of Cheques/Giro's all pensioners living abroad and all those over the age of 80	100%	31/03/2021	Sarah Bryant	1
			Participate in the National Fraud Initiative	100%	31/03/2021	Sarah Bryant	
			Reclaim amounts over £100.00 that have been overpaid	100%	31/03/2021	Sarah Bryant	
9	**Business Objective** – **Ensure that the Fund has a robust approach to managing its risk and has good internal control**						
	Failure to comply with existing or new legislation due to lack of specialist knowledge, inability to apply new legislation correctly, etc.	Conrad Hall	Monitoring of regulations to ensure correct application, use of specialist advisors, compliance with regulatory codes, etc.	100%	31/03/2021	Sarah Bryant Stephen Wild	1
10	**Business Objective** – **Ensure that the Fund has a robust approach to managing its risk and has good internal control**						
	Changes to regulations which could be detrimental to the Pension Fund	Conrad Hall	Active participation in consultations.	100%	31/03/2021	Stephen Wild	1
			Use of specialist advisors to prepare for/respond to regulation changes. Proactive approach.	100%	31/03/2021	Stephen Wild	

Risk No.	Details of Risk, Including Consequences	Risk Owner	Controls	% Complete	Date of Next Review	Control Owner	Assessment of Risk
11	**Business Objective**	**To ensure the Fund has effective methods for paying people and organisations**					
	Financial and reputational risk of being invested in companies with poor ESG/SRI records	Conrad Hall	Preparation of Socially Responsible Investment Policy.	100%	31/03/2021	Stephen Wild	1
12	**Business Objective**	**To ensure the Fund has effective methods for paying people and organisations**					
	Poor investment performance arising from asset allocation or individual fund managers requiring higher employer contributions to compensate.	Conrad Hall	Monitoring of Investment Managers' performance, with meetings held on an exceptions basis where performance is below benchmark	80%	31/03/2021	Stephen Wild	2
			Strategic asset allocation designed to achieve appropriate balance between capital protection and diversification. Reviewed at quarterly strategy meetings.	100%	31/03/2021	Stephen Wild	
			Quarterly valuation update to monitor returns against triennial valuation assumptions.	100%	31/03/2021	Stephen Wild	
13	**Business Objective**	**To ensure that the Fund's financial & external reporting complies with requirements and meets the need of users and local people**					
	Failure to comply with financial regulations and accounting standards may lead to adverse external audit report.	Conrad Hall	Recruitment and training of professionally qualified and experienced accounting staff.	100%	31/03/2021	Stephen Wild	1
			Staff to engage in continuing professional development, attending courses as appropriate.	100%	31/03/2021	Stephen Wild	
14	**Business Objective**	**To ensure that the Fund's financial & external reporting complies with requirements and meets the need of users and local people**					
	Poor communication with stakeholders giving rise to disaffection and actions against Council	Conrad Hall	The Fund's Communications Strategy	80%	31/03/2021	Stephen Wild	2
			Annual Report on Pension Fund - summary version sent to all active members	100%	31/03/2021	Stephen Wild	
			Annual Meeting - all employers and other key stakeholders invited to attend	100%	31/03/2021	Stephen Wild	
			Union representation on the Committee	80%	31/03/2021	Stephen Wild	

Funding Strategy Statement 2019/20

1. Introduction

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

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

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

2 Purpose of the Funding Strategy Statement

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

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

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

4 Funding objectives

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

The funding objectives are to:

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

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

5. Key parties

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

5.1 The administering authority

The administering authority for the Fund is the London Borough of Newham. The main responsibilities of the administering authority are to:

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

5.2 Scheme employers

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

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

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

5.3 Scheme members

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

5.4 Fund Actuary

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

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

6. Funding strategy

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

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019.

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

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

6.1 Funding method

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

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

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

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

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

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

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

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

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

6.2 Valuation assumptions and funding model

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

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

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

6.3 Future price inflation

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

6.4 Future pension increases

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

6.5 Future pay increases

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

6.6 Future investment returns/discount rate

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

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

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

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

6.7 Asset valuation

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

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

6.8 Demographic assumptions

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

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

6.9 McCloud/Sargeant judgements

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

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

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

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than the impact of reducing the discount rate assumption by 0.05%.

6.10 Guaranteed Minimum Pension (GMP) indexation and equalisation

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

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

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

6.11 Deficit recovery/surplus amortisation periods

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

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

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

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

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

6.12 Pooling of individual employers

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

Pooling of individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

7. New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below. Further details can also be found within the Fund's Admission Bodies Policy.

7.1 Admission bodies

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

7.2 Funding at start of contract

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

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

7.3 Contribution rate

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

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

7.4 Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

7.5 New academies

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

7.6 Funding at start

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

7.7 Contribution rate

The contribution rate for a new academy will be chosen to meet both the costs of benefits accruing to the existing active members in the future, and deficit recovery contributions to try to restore the funding level to 100% over a deficit recovery period of 17 years.

Where an academy joins an existing multi-academy trust in the Fund, an assessment will be made by the Fund Actuary as to whether the existing contribution rate payable by the Trust is sufficient. If so, the academy shall pay the existing rate payable by the Trust. Otherwise, the rate payable by all academies in the Trust, which participate in the Fund, may be revised.

7.8 Cessation valuations

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

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

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

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.
In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

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

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

7.9 Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

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

7.10 Bulk transfers

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

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

8. Links with the Investment Strategy Statement (ISS)

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

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

9. Risks and counter measures

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

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

9.1 Financial risk

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

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2%, and decrease/increase the required employer contribution by around 0.6% of payroll p.a.

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

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

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

9.2 Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

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

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

The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

9.3 Maturity risk

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

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

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

9.4 Regulatory risks

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

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

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.
There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.

- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

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

9.5 McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs".

These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

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

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

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

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

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

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

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

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

Managing employer exits from the Fund
The consultation covers:

Proposals for flexibility on exit payments. This includes:

- Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
- Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

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

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

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

There are relatively few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

9.7 Employer risks

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

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

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

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

9.8 Governance risks

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

9.9 Climate change risks

There are a large number of interlinked systemic long term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes.

9.10 Monitoring and review

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

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

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

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

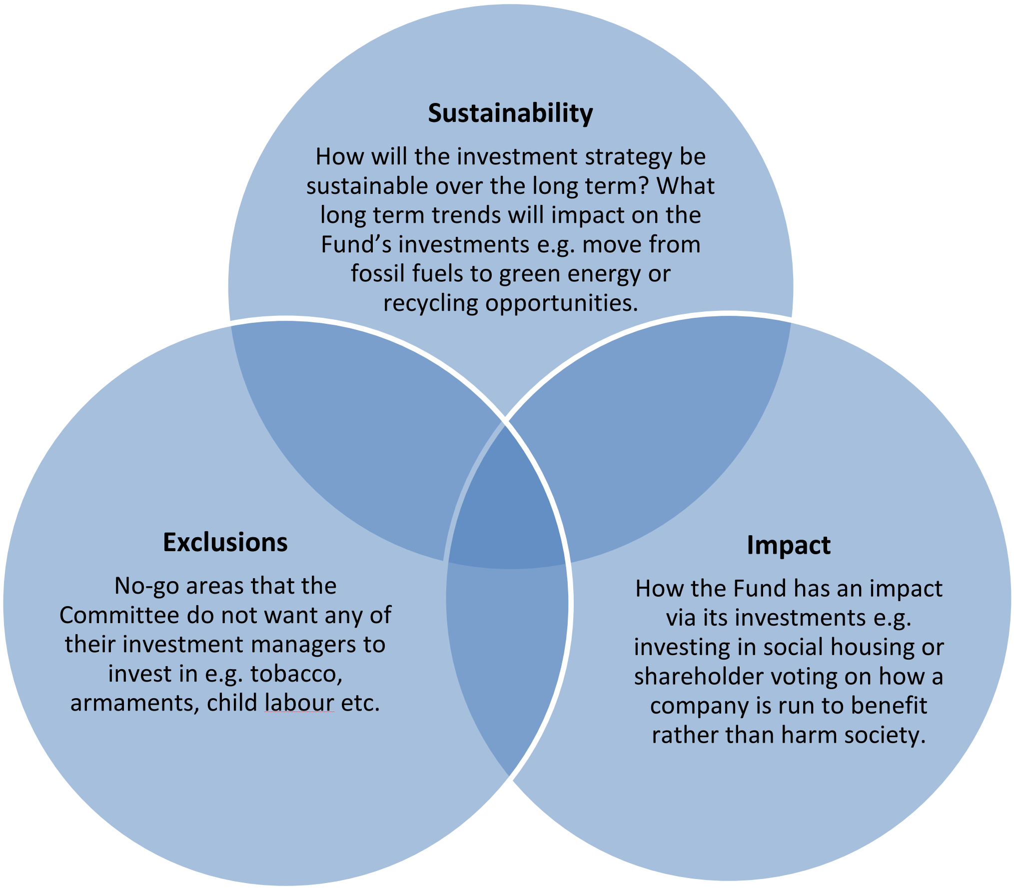
Environmental, Social & Governance Policy 2019/20

Introduction

This Policy has been developed and set by the Pension Committee of the London Borough of Newham Pension Fund ("the Fund") based on the belief that investment decisions should reflect environmental, social and governance considerations.

This ESG Investment Policy applies to all applicable investments held by the Fund. However, the Committee recognises that there are practical difficulties (such as availability of suitable funds) that will act as an obstacle to the Policy being implemented in full at this time, without incurring material costs or having a likely negative impact on the investments' performance.

The Committee are committed to the long-term aims of this Policy. In the short-term they will apply the Policy pragmatically, as much as possible and continue to monitor opportunities in the investment industry such that they can apply the Policy more fully as time passes.
The diagram below shows the way that the Committee consider ESG issues within this Policy.



The Financial Reporting Council has published the 2020 UK Stewardship Code. This defines stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

The Committee has adopted this definition of stewardship, and seeks to apply these principles within the assets that it holds.

The Committee is keen to be a progressive Local Authority when it comes to ESG issues and this is reflected in both the focus they have placed to date on ESG related issues, resulting in their current low exposure to fossil fuels, and the future focussed nature of this Policy.

The Committee will share this Policy with the Fund's investment managers to encourage engagement and alignment and to highlight any areas of difference which can then be challenged. The Committee view this engagement process as helping identify developments that may help facilitate a more complete implementation of the Policy over time.

The appendices to this policy document provide further background on the external influences on the policy. They also expand on what is meant by financial and non-financial factors referred to within the policy document.

The Committee has identified the factors which they believe to be financial and non-financial in this Policy. In many cases investment decisions will often have a mixture of motivations.

However, where the Committee considers that there is a financially positive rationale for taking a factor into account, it is identified in this policy as being a financial factor, notwithstanding that an additional non-financial motivation could also be identified. Where a factor is purely non-financial (i.e. there is not a strong case to take it into account as a financially positive factor), the Committee have aimed to quantify the impact of this factor to ensure that their decisions relating to this factor would at least not involve a risk of significant financial detriment to the Fund. The policy also sets out, in relation to non-financial factors, why the Committee consider that it should be taken into account in accordance with the views that the Committee consider the Fund's members are likely to hold.

Ethical Investing

This document contains the Committee's full ESG policy. Where the Committee wishes to impose ethical constraints on the investment policy these will also be reflected in this policy document.

Community Wealth Building

As, further discussed in the Impact section of this report, the Committee provides opportunities for their investment managers, and other professional firms associated with the Fund, to volunteer their time and knowledge to help with the financial education of population the London Borough of Newham. The Committee recognises the importance of these firms having Corporate Social Responsibility programs.

Upcoming examples of this include:

- Financial Education Forum – due to take place on 26 March 2020. The forum will provide young adults from the London Borough of Newham with financial education and information on employment opportunities in finance.
- Climate Change Risk Forum – Building on the Council and Committee's view on climate risk, there will be a forum on climate change risk and its financial implications, set to take place later in 2020. This too will be focussed on helping young adults understand the financial and other implications of climate risk, and how it can be managed.

Applicable Assets and Investments

The Committee will apply this Policy to the investments within the Fund but recognises that for some asset classes, ESG considerations cannot and need not be taken into account. The main asset classes that the Fund invests in are set out below with details of whether or not the Policy applies to them. By acknowledging which asset classes can be ignored when implementing the Policy, the Committee can focus on applying the Policy to the asset classes where they can have the most impact.

Category	Asset Class	ESG Policy Applicable?
Equities	Public Equity	Yes
	Private Equity	Yes
Alternatives	Infrastructure / Agriculture	Yes
	Hedge Funds	Yes
Property	Commercial Property	Yes
	Social Housing	Yes
Credit	Public Credit	Yes
	Private Credit	Yes
	Government Bonds	No – The Fund only invests in UK and US government bonds, neither of which have human rights violations (which would be an ESG concern relating to government bonds). Other overseas government bonds are treated as public credit and therefore the ESG policy is applicable to these.
Protection	Equity Protection	No – achieved via contracts with banks
	Currency Hedging	No – achieved via contracts with banks
Cash	Cash	No

Market Enforced Limitations / Constraints

This Policy is designed to take account of the ESG investment aspirations of the Committee. However, the Committee recognises that there are certain limitations and constraints that mean that the policy cannot be implemented fully in the short term. The key limitations and constraints have been identified and noted where relevant.

Sustainability

The Sustainability section of this Policy comprises of how the Committee is committed to the sustainability of its investments in the long term. It documents the trends which the Committee think will impact on the Fund's investments and how the Committee will incorporate these trends within its investments.

The tables below is intended to be a living document and will be updated when new trends are identified.

Financial Factors

Trend	How it has been/will be incorporated into the Fund's investments	Impact on Investments	Timeframe
Fossil Fuels to Green Energy	The Committee have recognised this trend within the fund by: Moving their passive equity portfolio to a lower carbon index Investing in infrastructure and agriculture funds which support green energy production.	Moderate positive impact on return Lower volatility	Immediate
Increasing need for affordable housing	The Committee have carried out extensive research on how to access investment opportunities in social housing. Access will be gained by investing in a pooled fund alongside other UK and overseas investors.	Low	Immediate
Risk of tobacco litigation and decline of smoking	The Committee have excluded tobacco manufacturing companies from their directly held assets.	Low	Immediate

Non-Financial Factors

Trend	How it has been/will be incorporated into the Fund's investments	Impact on Investments	Timeframe
Equality, diversity and gender	It is in the asset owners' interests that companies are employing the best people for the job regardless of their race, gender etc and the way to measure the company's progress in this regard is by carrying out annual equality monitoring. It is also important that companies' most senior executives have been selected on merit and, as stated by the Financial Reporting Council's Corporate Governance Code, that the board has a wide diversity of talent. This is also in furtherance of the Davies Review 2011 into low representation of women on boards, which recommended that companies should aim for 25% representation by 2015.		

Trend	How it has been/will be incorporated into the Fund's investments	Impact on Investments	Timeframe
Living wage and contracts	Growth in productivity is in the shareholders' interests and this is a serious issue in the UK. Studies show that greater productivity comes from a workforce that is paid fairly.		
UN Global Compact standards	It is in shareholders' interests that directors fulfil their duties under Section 172 of the Companies Act 2006 by conforming to international conventions that protect people's rights to freedom of association within their own company and within the supply chain. Failure to do so may cause reputational damage, labour unrest and a fall in share value.		
Labour ethics	Section 172 of the Companies Act 2006 imposes a duty upon a director to promote the success of the company having regard to, among other factors, the interests of the company's employees and the desirability of the company maintaining a reputation for high standards of business conduct. This is also in furtherance of Principles One to Five of the UN Global Compact. The persistence of labour rights violations in supply chains is a pressing issue. Four 'core' ILO Conventions entail an absolute prohibition on forced labour and child labour.		

Market Enforced Limitations / Constraints

Where the Committee accesses assets via pooled funds, the ability to exclude or adjust the asset allocation on the basis of non-financial factors is difficult. However the Committee has, and will continue to, sought to engage with the Fund's investment managers to encourage them to influence the underlying companies that they invest in on behalf of the Fund.

Exclusions

Where the Fund invests in a pooled fund, individual investors, such as the Fund, have no direct influence on the investments within the fund. The benefits of investing in a pooled fund may include access to illiquid asset classes through liquid investments or exposure to a more diversified range of underlying assets in a cost effective way.

When investing in pooled funds, the Committee recognises that the exclusions may not be able to be applied in full. However, the Committee will seek to appoint pooled fund investment managers whose policies align with this Policy where possible so as to minimise indirect investment in companies that fall within the exclusions of this Policy wherever there is scope for this requirement to be accommodated.

Financial Factors

The Committee considers that there is a financial rationale for seeking to exclude certain types of investments from the Fund where it is possible to do so. Such exclusions may be for reasons of enhancing risk adjusted returns or reducing financial risks to the Fund.

The Committee seeks to exclude the following types of investments on financial grounds:

- Companies solely involved in the mining/extraction of coal.
- Companies that generate over half of their income from tobacco products.

As of 2019, tobacco companies made up 0.9% of the S&P500 index and 4.4% of the FTSE100 index

Non-Financial Factors

The Committee believes that certain types of investments (non-financial factors) should be excluded from its direct investments. These are:

- Companies involved in the manufacture and production of controversial weapons which are defined follows:
- Companies involved in the core weapons system, or components/services of the core weapons system, considered tailor-made and essential for the lethal use of the weapon.
- Companies is involved in the production, maintenance/service, sale/trade, or research and development of the core weapons system.

As of 2019, controversial weapons manufacturers make up less than 0.05% of the Asia Pacific excluding Japan equity index and did not appear in the other investment indices which the Fund invests in. We consider that the Fund's members would generally not want the Fund invested in these companies.

When considering these exclusions the Committee has looked at historic returns including and excluding these factors and is comfortable that they do not represent a worsening of the outlook for expected returns nor add material additional volatility. Therefore, the Committee believes that their exclusion would not involve a risk of significant financial detriment.

Market Enforced Limitations / Constraints

The Fund has incorporated LGIM's Future World Funds into the Strategic Asset Allocation. These funds meet many of the Committees requirements for a low-carbon, ESG focused equity index. Capital is allocated, within market sectors, to companies according to their ESG score and LGIM uses their voting to help raise the importance of such matters.

However, the indices used by the Future World Funds do not exclude tobacco companies. Therefore, a bespoke fund will be set up to enable the tobacco exclusion to be reflected within the fund, to the maximum extent possible. However, the pooled nature of many of the Fund's holdings together with the government's guidance to make use of the LGPS Pools means that the Fund will inevitably have exposure to assets that would otherwise be excluded.

The ability to directly influence how shares are voted on is also compromised within pooled funds.

The Committee continues to let its investment manager know their thoughts on voting to influence them as far as is possible.

Impact

The Impact section of this Policy sets out how the Fund has an impact on ESG considerations via the investments it holds. Examples of this are how the equities that the Fund holds are voted and any special investments which are taken on to positively impact the environment or social causes.

In addition, the Committee engages with the investment managers of the Fund on their **Corporate Social Responsibility** policies and encourages the managers to engage with the London Borough of Newham when volunteering. When possible, the Committee will provide opportunities for their investment managers to volunteer their time and knowledge to help with the financial education of the population of the Borough in this regard.

Financial Factors

Renewable Infrastructure
When making investments in infrastructure for growth and income, the Committee acknowledged the opportunity from changing energy usage and decided to make an investment in funds that held renewable energy assets as a result.

Social Housing
Over the couple of years leading up to 2020, the Committee has been exploring the opportunities to supplement its existing commitments to infrastructure by investing in local infrastructure projects. Whilst it was recognised that this would bring social impact, the rationale for doing so was driven by the return opportunity that it created.

The development in East London has brought with it commercial infrastructure opportunities and simultaneously increased demand for social infrastructure investment. In the last 12 months, the focus of the Pensions Committee has been to establish ways in which the Newham Pension Fund can benefit from the opportunities arising in social and affordable housing.

The Council of the London Borough of Newham have a stated intention to increase the supply of housing within the Borough. The Committee is mindful that it would be preferable if the investment programme it undertakes in relation to housing does not put it into conflict with the Council from a practical standpoint to avoid increasing costs associated with the Council's own development programme.

The Pensions Committee is also aware of its responsibility to ensure risk within the Scheme is managed. Within the housing context this would be done through diversification. Consequently, diversification will be sought in terms of both the number and type of units used, as well as the location within London of the housing invested in. This latter point reflects the differing land costs across London, and the wider country, and the impact this has on the returns and viability of investments.

Voting

The Fund is a member of LAPFF. LAPFF influences, where possible, the way in which assets are voted on. The Committee has a view that voting in line with this Policy will have a positive impact on the companies it invests in over the long term.

The Committee reviews their public and private equity managers' voting and ESG policies for alignment with this Policy.

Market Enforced Limitations / Constraints

The Committee currently implement proxy voting for their segregated equity mandate via the Fund's custodian, Northern Trust. They are working with Northern Trust to implement their voting policy.

The Committee are aware that imposing a voting policy on a pooled equity fund can be more difficult than on a segregated mandate due to the investment manager's needs to reflect the best interests of all of their unitholders. They are working with their pooled equity managers to implement their voting policy.

Monitoring and Governing the Policy

In order to give effect to its commitment to this Policy, the Committee will:
Publish this Policy on its website.

- Share this Policy with the Fund's investment managers to encourage alignment and highlight any areas of difference which can then be challenged.
- Review this Policy annually to ensure it remains relevant and modify the Policy if necessary.
- Monitor the Fund's investment managers for adherence to the Policy annually.
- Take the Policy into consideration when investing in a new product or investment manager.
- Monitor the investment landscape for new products or innovations which could be used by the Fund to enable better adherence to the Policy.

Appendix I – External agencies associated with the Policy

UN Principles for Responsible Investment (PRI)
The UN established 6 Principles for Responsible Investment for investment managers in 2006. The principles are set out in the Appendix.

The Committee expect the investment managers of relevant assets within the Fund to adhere to the UN PRI and will monitor the rating of the managers against these Principles.

When making new investment manager appointments the Committee will seek to appoint managers who adhere to the UN PRI.

2020 UK Stewardship Code

The 2020 UK Stewardship Code was established by the UK Financial Reporting Council (FRC). The Financial Conduct Authority (FCA) supports the UK Stewardship Code by requiring any authorised investment manager to "disclose the nature of its commitment to the Code". If a manager does not feel it applies to them for any reason, they are required to explain why not.

The principles of the UK Stewardship Code are set out in the Appendix II.
The Committee expect the investment managers of relevant asset classes within the Fund to be signatories of the UN Stewardship Code and will monitor managers' signatory status.

Where the asset class and geographical location are appropriate, the Committee expect managers to adhere to the 2020 UK Stewardship Code.

Local Authority Pension Fund Forum (LAPFF)

The Fund is a member of LAPFF. LAPFF's aim is to maximise their influence as shareholders, while promoting corporate social responsibility and high standards of governance among companies in which they invest. The LAPFF comprises of UK public funds which engage as a united front with investee companies on issues such as climate change, child labour and breaches of best practice including the UK Code on Corporate Governance. Executive remuneration is an important governance issue for LAPFF and is focused on the subject of incorporating non-financial performance metrics into long term reward.

The LAPFF provides ad hoc briefings on companies where contentious votes are due or there are serious corporate governance failings or concerns. Where these relate to companies within the Fund's portfolio, these concerns are raised with the relevant fund manager and appropriate action is taken. Where LAPFF issue a voting direction on a particular issue, fund managers will be expected to comply with this or explain any deviance.

Institutional Investors Group on Climate Change (IIGCC)

The Fund pursues engagement with companies through membership of the IIGCC, one of the core objectives of which is to engage in dialogue on environmental issues.

Appendix II – Key points of UNPRI and 2020 UK Stewardship Code

UN Principles for Responsible Investment

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which they invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance their effectiveness in implementing the Principles.
6. Report on their activities and progress towards implementing the Principles.

2020 UK Stewardship Code Principles

1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2. Signatories' governance, resources and incentives support stewardship.
3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.
6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Signatories monitor and hold to account managers and/or service providers.
9. Signatories engage with issuers to maintain or enhance the value of assets.
10. Signatories, where necessary, participate in collaborative engagement to influence issuers.
11. Signatories, where necessary, escalate stewardship activities to influence issuers.
12. Signatories actively exercise their rights and responsibilities.

Appendix III – Financial and Non-Financial Factors

In 2014, the Law Commission made clear that private sector pension trustees' fiduciary duty is to take account of financially material considerations, whatever their source. Where ESG considerations are financially material, decision makers should take account of them. The Law Commission went on to say that this applies in exactly the same way as other risks in pension scheme investment, for example interest rate risk, liquidity risk, market risk, political and counterparty risk.

According to the Law Commission, when making an investment decision based on a non-financial consideration, private sector trustees have a duty to **ensure that the decision would not involve a risk of significant financial detriment to the fund and that it would be reasonable to assume that the scheme members agree with that decision**. A related provision may be found in LGPS statutory guidance which contemplates that an LGPS investment may similarly be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund. So for example, an administering authority may take account of social housing needs (but only if an investment in such stands up as an investment in its own right) or may choose to take into account the public health implications of an investment (but only if the result of such consideration is the replacement of these investments with assets producing a similar return).

In practice, investment decisions will often have a mixture of motivations and therefore a clear non-financial motivation (separate from the financial motivations for an investment decision) may be difficult to identify. However, for the purpose of this guidance **non-financial factors are those which influence investment decisions and are primarily motivated by considerations other than financial**, This is taken to mean any decision to disinvest or invest for which the primary motivation excludes consideration of the potential financial outcome.

Communication Policy 2019/20

Introduction
The London Borough of Newham is the Administering Authority for the Newham Pension Fund (the Fund). The Council is committed to providing a consistent high quality service to its members and other stakeholders.

This Communications Policy Statement has been prepared with the aim of enhancing the understanding, transparency and visibility of the Fund. This Policy Statement will be reviewed on an annual basis.

Each stakeholder group has different communication requirements and the Fund aims to use the most appropriate methods for its various audiences.

This document sets out the Fund's Communication Policy and the methods used to communicate with its stakeholders.

There are six distinct stakeholder groups with whom the Fund needs to communicate; these are:

- Members of the Pension Fund
- Pension Committee Members
- Prospective scheme members
- Trade Unions
- Scheme employers
- Pension Fund Officers

1. Members of the Pension Fund

The Internet
Policy Statements plus the Annual Accounts are published on the Council's web-site. A dedicated web-site for the Fund has been set-up which contains a range of information including Scheme details and will contain a secure member area for Committee Members. There will also be links to other organisations relevant to members of the Pension Fund e.g. The London Pensions Partnership (LPP), who undertake the Schemes administration, and scheme employers.

The current intranet site provides access to the Fund's statutory documentation, the Accounts, Annual Report, Investment Strategy Statement, Governance Policy and Governance Statement and the Funding Strategy Statement.

Benefit Statements
Annual Benefit Statements are sent to members of the Fund and deferred beneficiaries by the end of September.

Scheme Literature
The Human Resources Directorate of the Council arranges the production of scheme literature either directly or via LPP. The literature is made available to employers and scheme members. Copies of this literature are accessible via the Fund's web-site www.newham.gov.uk

Pay Advice

The payroll sections from each of the Scheme employers issue monthly pay advice. These can be used to communicate specific messages and for other purposes such as requesting a prompt notification of change of address. The pay advice is also used to communicate details of annual pension increases. Details of Annual Pension paid and the tax deducted are notified by P60 to Pensioners and the Inland Revenue.

Annual General Meeting

A General Meetings is held each year to discuss issues concerning the Fund. The meeting will be open to all Committee Members, Union Representatives and employers. It will seek to provide an update on the legislation and regulation changes within the LGPS.

General Correspondence

The Fund utilises both surface mail and e-mail to receive and send correspondence.

Telephone Help Line

Scheme members can access a telephone help line to deal with any queries relating to their Pension and this is widely publicised in Scheme literature. The telephone number for LPP is 020 7369 6105.

Pensions Road-shows

Several road shows are conducted throughout the year by Fund staff and LPP.

Pre-Retirement Seminars

Several pre-retirement seminars are conducted annually by Fund staff and LPP. Details of future events can be located on the Fund's website.

2. Pension Committee Members

The Committee oversees the management of the Fund's assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to council-tax payers, who would ultimately have to meet any shortfall in the Assets of the Fund, as well as to the contributors and beneficiaries of the Fund. Whilst appointments to the Committee are annual, several Members have served for a number of years, helping to build up knowledge and understanding of the pensions market. This, together with the Members wide range of Council and Professional expertise, ensures that decisions are fully scrutinised.

Committee Meetings

Committee meetings take place quarterly. The performance of the Fund's Investments is a standing item. Issues with Fund managers are addresses on an exception basis, with meetings with the Fund managers generally held outside of the Committee.

Members also receive a variety of reports from the Corporate Director of Resources on matters requiring decisions. These reports along with agendas and minutes of the Pension Committee meetings are available via the Fund's web-site.

IT Resources

Members have Internet access to electronic resources, which allow for the monitoring of various aspects of the Fund e.g. proxy voting, and corporate and Environmental, Social and Governance (ESG) issues.

Where there is a requirement for a decision outside of the normal committee cycle an email vote is not appropriate an emergency Committee Meeting will be required.

Training

Committee Members are required to undertake a minimum of three days training per year. The Fund's investment managers, advisors, independent committee member and other experts, such as the Local Authority Pension Fund Forum, provide a range of events which members can attend. The commitment to training is recognised within the Fund's annual Business Plan. Opportunities also exist for knowledge building with special events being organised by officers.

Members receive notification of training events via Email. Booking arrangements are managed by Member Services. New members can receive an induction to the Fund.

Trade Unions

Representatives of Unison, UNITE and NUT unions are invited to attend all meetings. As observers they have no voting rights. The current representatives are also members of the Scheme.

3. Prospective Scheme Members

Scheme Booklet

All new prospective Scheme members will be provided with a Scheme booklet upon appointment. The booklet is issued by LPP.

Website

LPP have a web-site which contains specific information for those who have yet to join the Fund. It will highlight the process by which a member should be given the relevant information to make an informed choice, as well as detailing the administrative process that should be followed to "opt out" of the Scheme.

Non Joiner Campaigns

LPP send out periodic letters to all non-contributors. In the future the Fund will request formal notification of non-joiners from Scheme employers. This information will be used to market the Scheme to specific groups and if necessary developing dedicated literature and campaigns.

Pension Road-shows

As well as being a valuable aid for pensioners and current scheme members, road shows are used to target specific non-members enabling them to make an informed choice with regards to their pension provision. Road shows are available on request via LPP.

Pay Advice

Prospective Scheme members will be identified via payroll, and pay advice containing marketing information will be used in specific campaigns carried out in conjunction with Scheme employers. Pay advice will also be used to inform members employed by the Council and prospective Scheme members of changes to the Scheme.

4. Trade Unions

Trade Unions are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

The Fund works closely with the Trade Unions to ensure the Scheme is transparent and easily understood. Upon request, branch officers will be provided with training.

5. Scheme Employers

Alongside the Council the following employer organisations are partners in the Pension Fund:

Scheduled Bodies:

1. Agate Momentum Trust
2. Learning in Harmony MAT
3. Big Education Trust
4. London Academy of Excellence
5. Bobby Moore Academy
6. London Design & Engineering
7. Boleyn Trust
8. Leading Learning Trust
9. Brampton Manor Academy
10. Newham Collegiate
11. Britannia Education Trust
12. Newham College of Further Education
13. Burnt Mill Academy Trust
14. Newham Community Schools Trust
15. Chobham Academy
16. NewVic
17. Community Schools Trust
18. New Vision Trust
19. East London Science School
20. Oasis Academy
21. Education Links Free School (Community Links Academy Trust)
22. Our Lady of Grace MAT
23. EKO Trust
24. Stratford Academy

Admitted bodies:

1. Active Newham
2. Language Shop
3. Better Together
4. London Network for Pest Solutions
5. Birkin Services
6. Mint
7. Compass
8. MITIE
9. Churchill
10. Newham Partnership Working
11. Change Grow Live
12. Olive Dining
13. Early Start
14. Pabulum
15. Enabled Living
16. Public Realm Services
17. IXact
18. RM Education
19. Juniper Pursuits
20. The Good Support Group
21. Juniper Ventures
22. Wilson Jones

Pension Fund Officers

Team Meetings
The Head of Pensions and Treasury host regular team meetings with the Fund's finance and administration staff. If required, issues can be escalated through the Corporate Director of Resources to Chief Officers.

Senior Finance Staff Management Team Meetings
The Head of Pensions and Treasury is a member of the Senior Finance Staff Management Team and attend regular meetings convened by the Corporate Director of Resources. This enables the Corporate Director of Resources to be kept up to date with current issues affecting the Fund.

Fund Management Meetings
Annual meetings are arranged with all Fund Managers within the Fund. Where required advisor representation may be requested.

Intranet
All office-based staff has access to the intranet. This provides timely information on a wide range of matters including documentation and LGPS circulars directly to their place of work.

Induction
New members of staff receive an induction session and each receives an induction /personnel manual.

Emails
Where contact needs to be made with all scheme members, letters will be used rather than emails.

Data Protection
To protect any personal information held on computer, The London Borough of Newham is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact Ian Gibbs.

The Administering Authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Newsletters
Newsletters are issued periodically by LPP. In the event of changes to the Fund's Regulations then specific notices are also issued.

Main Contacts
The contact details of the Pension Fund's main service providers can be found in the Pension Fund Statement of Accounts.

Taxation
Investments of the Fund are exempt from Capital Gains Tax but tax on UK Dividends is irrecoverable. All Value Added Tax paid is recoverable. There is a liability for Income Tax at 20% for pensions compounded into a lump sum.

Governance Statement 2019/20

1. Introduction

The London Borough of Newham is the administering authoring for the Newham Pension Fund ("The Fund"); it administers the Local Government Pension Scheme of behalf of the participating employers.

This Policy and Compliance Statement outlines the governance arrangements for the Fund, as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 ("The Regulations").

Under that provision all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, keep it under review, revise it following any material change in its delegation arrangements and publish it, following such consultation as it considers appropriate. The statement is required to set out:

a) whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a subcommittee or an officer of the authority;
b) if they do so
    i. the terms, structure and operational procedures of the delegation;
    ii. the frequency of any committee or sub-committee meetings;
    iii. whether such a committee or subcommittee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and if so, whether those representatives have voting rights;
c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying;
d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53.

Each administering authority is required to:

a) keep the statement under review and make such revisions as are appropriate following a material change in respect of any of the matters mentioned in points a) to d) above;
b) when reviewing and making revisions to the Governance Policy and Compliance Statement the authority must consult such persons as it considers appropriate.

2. About the Newham Pension Fund

Under the Local Government Pension Scheme Regulations 2013, the London Borough of Newham is required to maintain a pension fund for its employees and those of other Scheme Employers within its area.

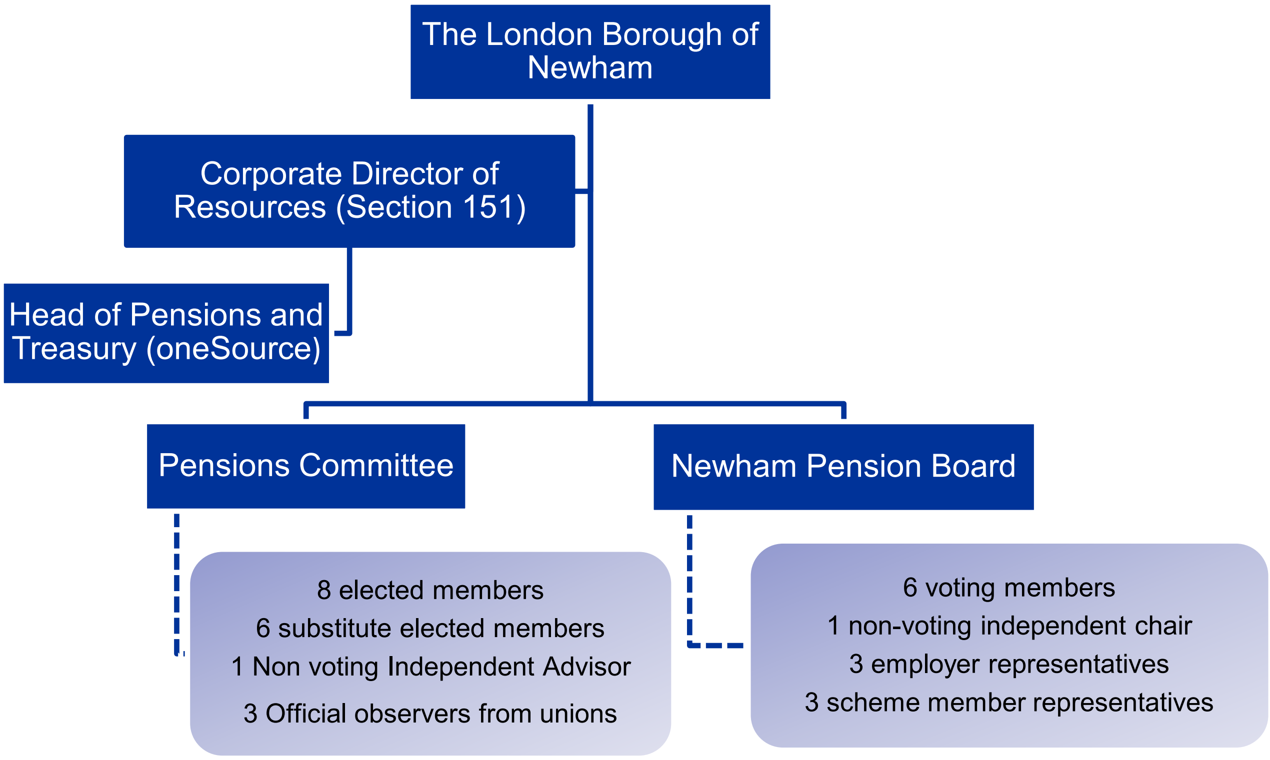
Benefits are prescribed by, and the Fund is invested in accordance with, the provisions of the following regulations under the Public Service Pensions Act 2013 (all as amended):

- Local Government Pension Scheme (LGPS) Transitional Provisions, Savings and Amendment Regulations 2014;
- Local Government Pension Scheme (LGPS) Regulations 2013;
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and other saved provisions from previous sets of LGPS regulations.

With effect from 1 April 2014 employee contributions have been banded according to employees' annual pensionable pay. The rates payable vary from 5.5% to 12.5% of annual pensionable pay.

3. Governance Structure

The Newham Pension Fund governance structure is illustrated below. This structure relates to the administering authority responsibilities only. The London Borough of Newham is also an employer within the Newham Pension Fund. A separate governance structure and Scheme of Delegation is in place in relation to the London Borough of Newham employer responsibilities:



4. Quorum

Pension Committee	The Newham Pension Board
3 members of the committee are required for a meeting to be quorate. Members may arrange for a substitute member to attend in their absence. The business of the Committee shall be carried out in accordance with the Constitution.	3 voting members of which at least 1 employer representative and 1 scheme member representative. In the absence of the chair the members attending can appoint a Deputy Chair for that meeting. The business of the Board shall be carried out in accordance with the Terms of Reference.

5. Responsibilities

Pensions Committee (formally Investment and Accounts Committee)

The Pensions Committee has responsibility for:

- determining an overall investment strategy and strategic asset allocation, with regards to diversification and the suitability of asset classes;
- appointing the investment managers, an independent custodian, the actuary and any external consultants considered necessary;
- reviewing on a regular basis (quarterly) the investment managers' performance against benchmarks, and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls;
- reviewing on a regular basis (quarterly) the asset pool, London CIV, satisfying themselves as to the managers' expertise and the quality of their internal systems and controls;
- The Chair of the Pensions Committee is the Administrative Authority's representative at London CIV, and fund manager meetings.
- reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights;
- agreeing the Communications Policy, Governance Statement and the Annual Business plan;
- monitoring compliance with legislation and best practice;
- determining the admission policy and agreements, including the deficit recovery period of Admitted and Scheduled Bodies;
- setting principles and statements in relation to the Fund's Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS), monitoring compliance and reviewing them;
- ensuring that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.

Corporate Director of Resources

The Committee has delegated the responsibility to the Corporate Director of Resources:

- all decisions relating to the administration of the Superannuation Fund, crediting contributions, dividends and interest, realising and making investments to manage the Fund's cash flow up to a limit of £5 million, providing notices to members, arranging for periodical valuations and keeping audited accounts.
- to exercise all powers and duties of the Council as an employer in respect of contracted-out persons under the Pensions Schemes Act 1993;
- to exercise and perform any powers and duties under this Act which fall to be exercised or performed by the Council by virtue of its being an employer (powers and duties relating to stakeholder pensions) under The Welfare Reform and Pensions Act 1999.

The Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to;

a) Assist the London Borough of Newham Administering Authority as Scheme Manager;
b) Secure the effective and efficient governance and administration of the LGPS for the London Borough of Newham Pension Fund
c) in such other matters as the LGPS regulations may specify
d) Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

In accordance with the Regulations, the Pension Board shall secure compliance with:

- The Regulations
- Other legislation relating to the Governance and administration of the LGPS; and
- The requirements imposed by the Regulator in relation to the LGPS, and
- To ensure the effective and efficient governance and administration of the LGPS.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

6. Terms of Reference

Pensions Committee

a) To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Executive Director, Resources to determine as set out in the officers' scheme of delegation.
b) Consideration of the external auditors Pension Fund audit plan and audit letter before it is published.
c) The Committee shall be a member of the Local Authority Pension Fund Forum.
d) The Committee shall be entitled to set up Sub-committees and delegate any of their functions to such Sub-committees or officers of the Council.

7. Meetings

Pensions Committee	The Newham Pension Board
a. The Committee meets on a quarterly basis with support from the Corporate Director of Resources and independent advisers. Members are provided with a quarterly report on performance of the Fund along with a business plan update, investment strategy update and administration report. b. Representatives from the Trade Unions are invited to participate in the meeting; however they are not permitted to vote. c. Members of the public are permitted to attend, non-exempted agenda item segments but are not permitted to participate without prior approval of the chair.	a. The Committee meets on a sufficiently regular basis to discharge its duties and responsibilities effectively, with support from Corporate Director of Resources and independent advisers. Members are provided with a quarterly report on performance of the Fund along with a business plan update b. In the absence of the Chair, at any meeting, the members can appoint a Deputy Chair for that meeting. c. The Pensions Administration Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Pensions Administration Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all members. d. There will be a minimum of 3 Pension Board meetings a year to be held per year, with 1 Annual meeting being held at the beginning of the committee cycle. The meetings are expected to be held in a Town Hall Committee room.

A log is part of Appendix I for training and development during 2019/20.

8. Members and Officers Knowledge and Skills

Pensions Committee	The Newham Pension Board
a. Members of the Committee are required to attend 3 days (21 hours) appropriate training from time to time. The Pension Fund Manager will invite members to such training. b. The Committee shall be entitled to determine whether certain training is desirable or compulsory for all Members or certain positions. Where the Committee deems training compulsory, Members shall not be entitled to sit on the Committee until they have attended such training. c. Member and officer knowledge and skills are recognised as important, and a range of measures are in place to equip members to undertake their role. This is a major factor in the governance arrangements of the Fund in ensuring Committee members and officers have the relevant skills and knowledge. The Fund applies the CIPFA Knowledge and Skills Framework to achieve this objective. d. Six areas of knowledge and skills have been identified as core technical requirements for those associated with LGPS pension funds: 1) pensions legislation and governance context; 2) pension accounting and auditing standards; 3) financial services procurement and relationship management; 4) investment performance and risk management; 5) financial markets and products knowledge; and 6) actuarial methods, standards and practices. e. It is not the intention that Committee members should individually become technical experts, but collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions. f. Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties. Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements'. g. Each year a questionnaire is sent out to Members to identify key areas that training can be arranged to address. From the questionnaire a bespoke training schedule	a. A member of the Pension Board must have capacity to become conversant with – 1) The legislation and associated guidance of the Local Government Pension Scheme (LGPS). 2) Any document recording policy about the administration of the LGPS which is for the time being adopted by the London Borough of Newham Pension Fund. b. A member of the Pension Board must have capacity to gain knowledge and understanding of – 1) The law relating to pensions, and 2) Any other matters which are prescribed in regulations. c. It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board. d. In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development. e. Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. f. Pension Board members will comply with the Scheme Manager's training policy.

Pensions Committee	The Newham Pension Board
is established and agreed by the Committee. h. The Fund includes in its annual report and accounts details of the knowledge and skills development undertaken by its Committee members. It is being proposed that it will become a regulatory requirement for funds to explain their compliance with the CIPFA framework and in particular cover: 1) how the framework has been applied; 2) what assessment of training needs has been undertaken; and 3) what training has been delivered against the identified training needs.	

9. Reporting Breaches

The Pension Board

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

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

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

Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.

Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

The appropriate internal route for escalation is to the Monitoring Officer and/or the Section 151 Officer.

The Board may report concerns to The Pensions Regulator for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.

Pension Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

10. Budget

The Pension Board

The Board is to be provided with adequate resources to fulfil its role, in doing so the budget for the Pension Board will be met from the Fund and must be approved by the Pensions Committee.

11. Publication of Information

Scheme members and other interested parties will want to know that the London Borough of Newham Pension Fund is being efficiently and effectively managed. Minutes of meetings, policies and other information of interest will be published on the London Borough of Newham website.

12. Governance Compliance Statement

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in the Pensions Committee responsibilities.
That representatives of participating Local Government Pension Scheme (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.	Compliant	Representative of the employers and scheme members are Pension Board rather than members of the Pensions Committee.
That, where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable	All Pension Fund matters are considered by the Pensions Committee.
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.	Not applicable	All Pension Fund matters are considered by the Pensions Committee.
Committee membership and representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: ▪ employing authorities (including non-scheme employers, e.g. admitted bodies) ▪ scheme members (including deferred and pensioner scheme members ▪ independent professional observers ▪ expert advisers (on an ad-hoc basis).	Compliant	Trade unions appoint representative for the employees. Representative of the employers and scheme members are Pension Board rather than members of the Pensions Committee. Expert advisers attend the Pensions Committee and/or the Pension Board as required.
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.	Compliant	All Pension Fund matters are considered by the Pensions Committee.
Selection and role		
That the 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.	Compliant	As set out in the Pensions Committee responsibilities.
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.	Compliant	This is a standing agenda item on the Pensions Committee.

Compliance Requirement	Compliance	Notes
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	As set out in the Pensions Committee responsibilities.
Training/Facility Time/Expenses		
That in relating 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.	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills document.
Meetings		
That an administering authority's main committee or committees meet at least quarterly	Compliant	As set out in the Pensions Committee responsibilities.
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.	Not applicable	All Pension Fund matters are considered by the Pensions Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interest of key stakeholders can be represented.	Compliant	Represented on the Pension Board.
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	As set out in the Council's Constitution.
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	As set out in the Pensions Committee responsibilities.
Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	All Pensions Committee minutes reports and Pension Fund policies are published on the Council's website.

Appendix I: The Pension Committee Member Training and Development 2019/20

Date	Training session	Attendees
13-15 May 2019	PLSA Local Authority conference	Cllr Nareser Osei
25th May 2019	1 to 1 mentoring session with Independent advisor	Cllr Nareser Osei
6th June 2019	LCIV Q2 LLA Investment Forum	Cllr Nareser Osei
8th June 2019	1 to 1 mentoring session with Independent advisor	Cllr Nareser Osei
13th June 2019	CIPFA LGPS training	Cllr Zuber Gulamussen Cllr Nilufa Jahan Cllr Daniel Blaney Cllr Moniba Khan Cllr Nareser Osei Cllr Joshua Garfield
18th June 2019	Bfinance training on new asset classes	Cllr Nareser Osei Cllr Joshua Garfield Cllr Nilufa Jahan Cllr Nazir Ahmed
27th June 2019	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Joshua Garfield Cllr Nilufa Jahan Cllr Nazir Ahmed Cllr Daniel Blaney
18th July 2019	LCIV Annual General Meeting	Cllr Nareser Osei
23rd July 2019	Pension Fund accounts training	Cllr Nazir Ahmed Cllr Zulfiqar Ali Cllr Joshua Garfield Cllr Nilufa Jahan Cllr Nareser Osei Cllr Tonii Wilson Cllr Harvinder Virdee Cllr Moniba Khan
28th July 2019	1 to 1 mentoring session with Independent advisor	Cllr Nareser Osei
2nd August 2019	1 to 1 mentoring session with Independent advisor	Cllr Nilufa Jahan

Date	Training session	Attendees
3rd August 2019	1 to 1 mentoring session with Independent advisor	Cllr Nareser Osei
10th August 2019	1 to 1 mentoring session with Independent advisor	Cllr Tonii Wilson
20th August 2019	LCIV Quarterly Review Meeting	Cllr Nareser Osei
2nd September 2019	1 to 1 mentoring session with Independent advisor	Cllr Joshua Garfield
10th September 2019	ESG and Pooling training	Cllr Nareser Osei Cllr John Gray Cllr Winston Vaughan Cllr Joshua Garfield Cllr Nilufa Jahan
23rd September 2019	LCIV Q3 LLA Investment Forum	Cllr Nareser Osei
29th September 2019	1 to 1 mentoring session with Independent advisor	Cllr Nareser Osei
30th September 2019	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Joshua Garfield Cllr Tonii Wilson Cllr James Asser Cllr John Gray
2nd October 2019	1 to 1 mentoring session with Independent advisor	Cllr Zulfiqar Ali
16th October 2019	LCIV ESG and Strategy Forum	Cllr Nareser Osei
16-18 October 2019	PLSA Annual Conference 2019	Cllr Nareser Osei Cllr Joshua Garfield Cllr Nilufa Jahan
7th November 2019	Triennial Valuation training	Cllr Winston Vaughan Cllr Nazir Ahmed Cllr Nilufa Jahan Cllr Nareser Osei Cllr Joshua Garfield
11th November 2019	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Tonii Wilson Cllr Nilufa Jahan Cllr Daniel Blaney Cllr John Gray

Date	Training session	Attendees
14th November 2019	SPS ESG & Sustainable Investment Issues conference	Cllr Nareser Osei Cllr Tonii Wilson
14th November 2019	1 to 1 mentoring session with Independent advisor	Cllr Nazir Ahmed
29th November 2019	1 to 1 mentoring session with Independent advisor	Cllr James Asser
4-6 December 2019	LAPF Annual Conference 2019	Cllr John Gray
12th December 2019	PLSA Trustee Conference 2019	Cllr Tonii Wilson Cllr Nilufa Jahan Cllr Daniel Blaney Cllr Zuber Gulamussen
10th January 2020	1 to 1 mentoring session with Independent advisor	Cllr Nareser Osei
17th January 2020	1 to 1 mentoring session with Independent advisor	Cllr Tonii Wilson
17th January 2020	1 to 1 mentoring session with Independent advisor	Cllr Joshua Garfield
19th January 2020	1 to 1 mentoring session with Independent advisor	Cllr Nazir Ahmed
21st January 2020	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Tonii Wilson Cllr Joshua Garfield Cllr Winston Vaughan Cllr John Gray
26th February 2020	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Joshua Garfield Cllr Nilufa Jahan Cllr Winston Vaughan
11-13 March 2020	PLSA Investment conference	Cllr Nareser Osei Cllr Nilufa Jahan

Glossary

Accounting period - The period of time covered by the Council's accounts. The Council's financial year is from the period 1st April to the following 31st March.

Accounting policies – The specific principles, bases, conventions, rules, and practices applied by the Council in preparing and presenting the financial statements.

Accounting standards - A set of rules explaining how accounts are to be kept (See 'International Financial Reporting Standards').

Accrual - The recognition of income and expenditure in the year that they occur and not when any cash is received or paid.

Active member - Current employee who is contributing to a pension scheme.

Actuary - An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

Additional Voluntary Contributions (AVC) - An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider

Admitted Body - An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Admission Agreement - an agreement made between the administering authority, a Scheme employer and a contracted company to allow the contractor to become part of the LGPS.

Asset allocation - The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

Balance Sheet - A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Benchmark - A measure against which the investment policy or performance of an investment manager can be compared.

Billing Authority – Refers to a local authority that is responsible for the collection of tax, both on behalf of itself and local authorities in its area.

Budget - A forecast of future expenditure plans for the Council. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the Council Tax is set. Budgets are revised throughout the year for changes as necessary.

Career Average Revalued Earnings (CARE) - from 1 April 2014 the LGPS became a Career Average Revalued Earnings Scheme. The pension built up from 1 April 2014 is based on a CARE scheme basis and the pension built up prior to 1 April 2014 is linked to Final Salary.

Cash equivalents – Highly liquid, safe investments that can easily be converted into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA) – A professional accountancy body, specialising in the Public Sector. It promotes best practice by issuing guidelines and Codes of Practice.

Collective Investment Vehicle (CIV) - is any entity that allows investors to pool their money and invest the pooled funds, rather than buying securities directly as individuals

Contingent Liability - Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is not appropriate.

Consumer Price Index (CPI) – Measures the average change in retail prices of a basket of goods and services purchased by most UK households, to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included in the RPI.

Creditors - Amount of money owed by the Council for goods and services received, also referred to as Payables.

Death Grant - an amount paid to a current or former member's estate or nominated beneficiaries in the event of death in service, death after retirement or death of a deferred beneficiary

Debtors - Amount of money owed to the Council by individuals, and organisations, also referred to as Receivables.

Deferred Benefits (may be called preserved benefits) - benefits retained in the pension fund when a member leaves without an entitlement to the immediate payment of those benefits. If a transfer of benefits does not take place before hand, deferred benefits are usually paid from the member's normal retirement date.

Defined Benefit Scheme - A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Deferred Income – Receipt in Advance – This represents a receipt received as part of entering into a building lease. The credit is being released over the term of the lease.

Deferred Liabilities – These are future payments that the Council is contractually obliged to pay in future years. These liabilities relate to Private Finance Initiative (PFI) schemes.

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

Discretion - this is the power given by LGPS regulations to enable Scheme employers or administering authorities to choose how they will apply the Scheme rules in respect of certain provisions.

Employer rates - The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

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

Fair Value - In relation to the value of financial instruments, it is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Financial Instrument - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instrument Adjustment Account - This represents the balance of deferred discounts relating to the premature redemption of Public Works Loans Board (PWLB) debt.

Fixed interest securities – Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

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

Infrastructure Assets – Inalienable assets, expenditure on which is only recoverable by continued use of the asset created. There is no prospect of sale or alternative use. Examples include roads, bridges, and tunnels.

Intangible Assets - Non-financial long-term assets that do not have physical substance but are identifiable and controlled by the Council, i.e. purchased software licences.

Interest Rate Risk - The uncertainty of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

Internal Disputes Resolution Procedure (IDRP) – a complaints procedure governed by regulation providing any current or former scheme member with the opportunity to settle any dispute or complaint they may have in respect of any decision made regarding their entitlements under scheme rules.

International Financial Reporting Standards (IFRS) – The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

Investment Properties – Those properties that are held solely to earn rentals and/ or for capital appreciation, rather than for the delivery of services.

Long-Term Assets - Assets that yield benefit to the Council and the services it provides for a period of more than one year.

Minimum Revenue Provision (MRP) - The amount that has to be charged to revenue to provide for the redemption of debt. Not applicable to the HRA.

Pooled Investment vehicles - Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Provisions - Amounts set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Rates and Adjustment Certificate - a certificate issued by the Actuary following a valuation of the Fund which sets out the employer contribution rates payable by each of the associated scheme bodies.

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

Reserves - Amounts set aside which do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances which every Council must maintain as a matter of prudence.

Retail Price Index (RPI) – Measures the average change in retail prices of a basket of goods and services purchased by most UK households, to provide an indication of the rate of inflation. The RPI includes mortgage interest payments and council tax in the basket of goods not included in the CPI.

Scheduled body - An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

Triennial Valuation - Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Unrealised gains/ losses - The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Value For Money (VFM) – This term is used to describe the relationship between the economy, efficiency, and effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

Acronyms

AAC Annual Allowance Charge
ACT Advance Corporation Tax
AGS Annual Governance Statement
AVC Additional Voluntary Contribution
BCE Benefit Crystallisation Event
CARE Career Average Revalued Earnings
CEP Contributions Equivalent Premium
CETV Cash Equivalent Transfer Value
CIV Collective Investment Vehicle
CLG Communities and Local Government
CPI Consumer Prices Index
FSS Funding Strategy Statement
GAD Government Actuary's Department
GMP Guaranteed Minimum Pension
HMRC Her Majesty's Revenue & Customs
IAS International Accounting Standard
IDRP Internal Disputes Resolution Procedure
IFA Inter-fund Adjustment
IFRS International Financial Reporting Standards
ILA Individual Lifetime Allowance
LBN London Borough of Newham
LGE Local Government Employers
LGPC Local Government Pensions Committee
LPS Local Government Pension Scheme
LCIV London Collective Investment Vehicle
LPP Local Pensions Partnership
(N)NDR (National) Non-Domestic Rates
NPV Net Present Value

NRA Normal Retirement Age
NRD Normal Retirement Date
PSLA Pensions and Lifetime Savings Association
ISS Investment Strategy Statement
SLA Standard Lifetime Allowance
SPA State Pension Age
RPI Retail Price Index
VAT Value Added Tax