LONDON BOROUGH OF WALTHAM FOREST PENSION FUND

PENSION FUND ANNUAL REPORT 2017/18

CONTENTS LIST

7. Pensions Administration Strategy 2018

8. Pension Board Annual Report 2017/18

INTRODUCTION

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

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

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

Investment Review

Market Background

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

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

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

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

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

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

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

The Bank of England's Monetary Policy Summary of March 2018 stated *"Developments regarding the United Kingdom's withdrawal from the European Union – and in particular the reaction of households, businesses and asset prices to them – remain the most significant influence on, and source of uncertainty about, the economic outlook."* Notwithstanding such uncertainty unemployment during 2017-18 fell from 4.6% to 4.1% its lowest in over 40 years while inflation (as measured by the CPI index) remained clearly above the Bank of England's target of 2% throughout the year. Inflation which had been 2.3% in March 2017 was 3.0% by September 2017. Consequently, at its meeting ending on 1 November 2017 the Bank of England Monetary Policy Committee (MPC) voted 7 to 2 to increase Bank Rate by 0.25% to 0.5% stating in their minutes *"a majority of members judged that a small reduction in stimulus was therefore warranted at this meeting to return inflation sustainably to the target. Monetary policy would continue to provide significant support to jobs and activity in the current exceptional circumstances."* By March 2018 inflation was 2.5%.

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

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

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

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

John Raisin Financial Services Limited
Independent Advisor
24 May 2018

Fund Investment Strategy

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

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

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

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

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

Table 1

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

Figures provided by the State Street

Table 2 below shows the current and strategic benchmarks.

Table 2

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

A summary of the resulting distribution of fund assets as at 31 March 2018 and March 2017 is shown in Table 3 below. It should be noted that one UK property investment ("RREEF Limited"), one European property investment (DTZ – Aurora property Fund) along with the hedge fund investment (BlueCrest – AllBlue Fund) are in the process of being liquidated. The property portfolio's take longer to unwinding and should be fully dis-invested by the end of 2019.

The hedge fund AllBlue should be fully redeemed by the end of 2018.

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

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

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

Pension Fund Accounts 2017/18

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

From dealings with members, employers and others directly involved in the scheme, there was a net increase of £7.5m this was mainly the effect of a 674%

increase in transfers into of the fund and increase of 93% in transfers out, an increase of 15% in contributions into the fund.

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

Pension Fund Performance 2017/18

Fund Returns 2017/18

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

Table 1 – Quarterly Fund Returns 2017/18

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

All figures WM Performance Services

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

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

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

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

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

Investment Performance

April 2016 to March 2017

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

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

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

LB Waltham Forest Pension Fund returns vs Local Authority Universe

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

Figures provided by Pirc Local Authority Pension Performance analytics

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

Over 3, 5 and 10 years

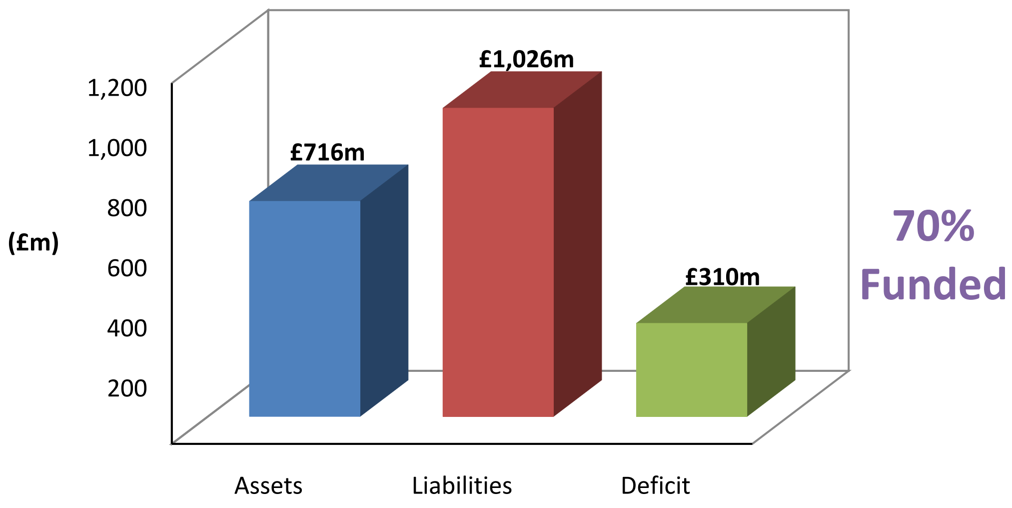
	3 years %	5 years %	10 years %	20 years	30 years
Fund	4.5	7.4	7.2	6.0	8.6
Fund Benchmark	7.4	7.9	7.3	n/a	n/a
Relative return	-2.9	-0.6	-0.1	-	-
LA Universe	8.3	8.8	7.7	6.5	8.9
Relative return	-3.8	-1.4	-0.4	-0.5	-0.3
Ranking	98	88	69	65	58

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

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

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

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



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

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

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

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

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

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

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

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

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

The assets were assessed at market value.

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

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

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

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

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

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

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

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

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

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

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

Administration and Benefits

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

Administration Service Performance Statistics for 2017/18

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

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

Total	**53**	**995**	**1048**	**94.94**	**96.70**

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

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

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

Benefits

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

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

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

Other important changes that have happened to the LGPS

The Scheme’s normal pension age

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

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

Employees Contribution Bandings

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

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

Low Cost Option

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

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

Death Benefits

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

Additional Contributions

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

Life Cover

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

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

Survivors' Pensions

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

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

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

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

Scheme rules and benefits pre 1st April 2014

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

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

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

Pension's increases

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

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

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

Communications

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

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

The Pension Shared Service

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

Pensions Shared Service
PO Box 72351
London
SW18 9LQ

E-mail: pensions@wandsworth.gov.uk

Telephone: 020 8871 8036

www.wandsworth.gov.uk/pensions

http://www.lgpsmember.org/

Pensions Fund Committee

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

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

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

Members and Observers of the Committee for 2017-18 where

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

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

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

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

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

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

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

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

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

Pension Board

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

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

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

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

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

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

Members of the Pension Board

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

Meetings held:
6 July 2017
30 November 2017

Governance Compliance Statement

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

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

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

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

Environmental, Social and Governance ('ESG') Policy

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

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

Local Authority Pension Fund Forum (LAPFF)

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

Statement of Compliance with the CIPFA Skills & Knowledge Framework

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

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

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

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

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

We have examined the pension fund financial statements for the year ended 31 March 2017 on pages 121 to 150.
Respective responsibilities of the Strategic Director of Finance and Governance and the auditor
As explained more fully in the Statement of the Strategic Director of Finance and Governance's Responsibilities the Strategic Director of Finance and Governance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of London Borough of Waltham Forest, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of London Borough of Waltham Forest for the year ended 31 March 2017 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

Neil Hewitson
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada square
London
E14 5GL

27/09/2017

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES:

The Council is required:

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

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

- to approve the Statement of Accounts.

THE STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE'S RESPONSIBILITIES:

The Strategic Director of Finance and Governance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Director of Finance and Governance has: -

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

The Strategic Director of Finance and Governance 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.

ISSUE DATE

The date that these Financial Statements were authorised for issue was 21 September 2017. All known material events that have occurred up to and including this date which relate to 2016/17 or before have been reflected in the statements and notes.

CERTIFICATION BY THE STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

I certify that this Statement of Accounts gives a true and fair view of the financial position of the London Borough of Waltham Forest as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017 and I hereby authorise its issue.

Date: 21 September 2017

John Turnbull CPFA
Strategic Director of Finance and Governance

Pension Fund Advisers and Other Service Providers 2017/18

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

Custodial Services

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

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

Actuarial Services

Actuarial services were provided during the year by Mercer:

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

Investment Consultancy and Advice Services

Investment consultancy advice was provided by Mercer:

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

Pension Fund Performance Measurement

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

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

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

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

Legal services

In-house by the Director of Governance and Law

Externally by Sackers, 20 Gresham Street, London, EC2V 7JE.

Independent Advice is provided by:

John Raisin, John Raisin Financial Services Limited

External Auditors

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

KPMG LLP (UK)

15 Canada Square
London
E14 5GL