**LONDON BOROUGH OF WALTHAM FOREST PENSION FUND**

# PENSION FUND ANNUAL REPORT 2019/20

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## INTRODUCTION

This Annual Report covers the management and performance of the London Borough of Waltham Forest Pension Fund (the Fund) for the financial year 2019/20.

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

Given the outbreak of COVID-19 and the huge fall in equity markets in late February and March 2020 it is easy to forget that for most of the year 1 April 2019 to 31 March 2020 global stocks increased in value and the world economy continued to experience positive, if modest, economic growth. During April to December 2019 markets were clearly influenced by pessimism and ultimately optimism regarding US-China trade relations, and accommodative major central bank policy. April to December 2019 saw global equities advance with the MSCI World Index up 11% and the United States S&P 500 up 14%.

April to December 2019 saw uncertainly in the United States-China trade relationship. 2019, however, ended positively – on 12-13 December both sides announced significant progress on a “Phase 1” deal. The US S&P 500 index reached a (then) new closing high of 3,169 on 13 December.

April to December saw strong consumer confidence in the United States and low unemployment in the major economies of the United States, the Eurozone and the United Kingdom. US unemployment was 3.5% in December 2019 a fifty-year low and Eurozone unemployment was 7.3% its lowest since the financial crisis of 2008. There were however also concerning economic indicators.

US inflation continued to be clearly below the Federal Reserve’s 2% target. Eurozone and Japanese inflation remained well below the targets of their central banks. Economic growth showed signs of weakness. US annualised growth fell to below 2.5% compared with around 3% for the April to December 2018 period. Chinese growth at around 6% (annualised) was the lowest since 1990.

April to December 2019 saw the US Federal Reserve and the European Central Bank clearly move towards looser more supportive (of both financial markets and the economy) monetary policy. This was in clear contrast to 2018 when both had

tightened their monetary policy approach with the Federal Reserve increasing interest rates three times in the period June to December 2018.

In July, September and October 2019 the US Federal Reserve reduced the target range for the federal funds rate by 0.25%. At the press conference following the October meeting Chair Jay Powell stated *“Today we decided to lower the interest rate for the third time this year…. weakness in global growth and trade developments have weighed on the economy and pose ongoing risks. These factors, in conjunction with muted inflation pressures, have led us to lower our assessment of the appropriate level of the federal funds rate…”*

The European Central Bank (ECB) also acted to support financial markets and the Eurozone economy. In June the ECB extended to at least the first half of 2020 the existing ultra-low interest rate policy. In September the ECB further loosened monetary policy including reducing the deposit interest rate by 0.1% to minus 0.5% and reintroducing quantitative easing which was restarted on 1 November at the rate of asset purchases of 20 billion Euros per month. The Bank of Japan continued its huge monetary stimulus programme which commenced in 2013.

The resolution of some of the trade tensions between the United States and China in late 2019 and the further loosening of monetary policy by the US Federal Reserve and ECB in the second half of 2019 had led to a general view that global stocks would continue their long upward trend through 2020. Indeed, on 19 February 2020 the US S&P 500 Index reached a new record closing high of 3,386 almost 5% above the 31 December 2019 closing figure of 3,231.

On 24 February 2020, however, equities across the globe began to rapidly fall following the decision of Italy to quarantine 10 towns in response to COVID-19 (Coronavirus). Concerns regarding COVID-19 then rapidly and hugely affected US equity markets and other major markets. By the end of Friday 28 February, the S&P 500 had fallen approximately 13% from its 19 February all-time high. On 28 February Federal Reserve Chair Jay Powell stated that *“… the coronavirus poses evolving risks to economic activity. The Federal Reserve is closely monitoring developments... We will use our tools and act as appropriate to support the economy.”* The actions subsequently taken by, and led by the US Federal Reserve during March 2020 were unprecedented even in comparison to those following the 2008 financial crisis.

The governments of a number of leading world economies - the UK, Canada, France and Italy announced major fiscal initiatives to support their economies and citizens and also, by extension, financial markets on or before 20 March 2020. Measures included income subsidies for laid off workers, tax deferrals and state loans or guarantees for companies The German Parliament and US Congress also agreed unprecedented fiscal support packages in the last week of March. While these measures were crucial to mitigating the adverse impact of COVID-19 on economies and financial markets it was the extraordinary interventions of the US Federal Reserve which, surely, prevented a financial market meltdown in March 2020.

At an emergency meeting on 3 March 2020, the US Federal Reserve, reduced the target range for federal funds rate (its main interest rate) by ½%, to the range 1 to 1 ¼%. COVID-19 equity related market chaos continued however and was compounded by reaction to an oil price plunge on 9 March arising from Russian and Saudi Arabian action which resulted in a trading break in New York, the first time this measure had been used.

Then in an unscheduled (Sunday) meeting on 15 March the US Federal Reserve intervened on an unprecedented scale. The federal funds rate was reduced by a full 1% to the range 0% to ¼% and an asset purchase programme announced of *“at least”* $500bn of Treasury bonds and *“at least”* $200bn of mortgaged backed securities to *“support the smooth functioning of markets….”* To further support the flow of credit to businesses and households the US Federal Reserve also announced measures to ease requirements upon and to support banks and other savings institutions. To directly support not only the US markets and economy but other major developed markets and economies the Federal Reserve also announced, on 15 March 2020, *“co-ordinated action”* with a number of other central banks to lower the cost of borrowing dollars internationally.

The ECB acted decisively on 18 March announcing a 750 billion Euro Pandemic Emergency Purchase Programme (PEPP)covering government and corporate debt to *“…counter the serious risks to the… outlook for the euro area posed by the outbreak and escalating diffusion of the coronavirus, COVID-19.”* The Bank of England acted decisively reducing Bank Rate by from 0.75% to 0.25% on 10 March and then on 19 March to an all-time low of 0.10% together with the introduction of a £200 billion purchase programme of bonds. On 10 March, it also introduced measures to facilitate further lending to businesses by UK banks.

Turmoil however continued when markets reopened on Monday March 16. The S&P 500 fell by 12% only to rise by 6% on 17 March and then to fall by 5% on 18 March. On 16 March in the context of the clearly rapid spread of COVID-19 in Europe, closures and severe disruption to businesses not only in Europe but the US coupled with an admission by President Trump that the Coronavirus crisis could last till *“August, could be July, could be longer…”* US markets fell 12%. 18 March was a day of panic in world markets with the FTSE All World equity index falling almost 7%, government bond prices falling, oil prices again plummeting, sterling falling to its lowest level against the dollar since the 1980s. The S&P index closed on Friday 20 March at 2,305 which was 15% lower than at the close on Friday 13 March with liquidity shocks exacerbating the declines in equities.

Then on 23 March, the US Federal Reserve intervened in an unprecedented manner. First it extended its purchases of Treasury Bonds and mortgage backed securities from $700billion to *“the amounts needed to support smooth market functioning and effective transmission of monetary policy…”* This meant that to help facilitate the supply of credit to households and businesses the US Federal Reserve was prepared to buy unlimited amounts of government securities. Secondly, in an extraordinary break with previous precedent the Federal Reserve announced initiatives to purchase both new issue and secondary market corporate debt. This meant that in effect the Federal Reserve was prepared to directly support employers and act as a backstop in the corporate bond market.

In the days following this extraordinary intervention by the Federal Reserve of 23 March 2020, financial markets began to recover with the S&P 500 closing at 2,585 on 31 March a full 12% higher than on 20 March. Admittedly, after much argument Congress finally passed a huge $2.2 trillion fiscal stimulus on 27 March to assist US business and families. However, there can be no doubt that during March 2020 the US Federal Reserve acted decisively and in an unprecedented manner to avoid a financial market meltdown while the US Congress argued over what measures to take.

In summary, over the January to March 2020 Quarter global equity prices fell heavily with the MSCI World Index down 21% (in $ terms). European and UK equities were especially badly affected with the MSCI EMU Index down 25% (in Euro terms) and the FTSE All Share down 25% (in £ terms). The S&P 500 lost 20% as did the Nikkei 225.

Though the effects of COVID-19 were only really felt by the world economy and financial markets from late February onwards GDP data for the first Quarter 2020 demonstrates the immediate and devastating economic effects. The “Third” estimate from the US Bureau of Economic Analysis, issued on 25 June 2020, indicated that US *“gross domestic product (GDP) decreased at an annual rate of 5.0 percent in the first quarter of 2020…”* In the previous three Quarters an annualised rate of approximately plus 2% was achieved*.* Eurozone GDP was down 3.6% in the first Quarter of 2020, compared to the previous Quarter, according to a Eurostat data release of 20 July 2020. *Eurostat stated “These were the sharpest declines observed since time series started in 1995”* In each of the previous three Quarters Eurozone GDP increased by plus 0.1%-0.3%.

In conclusion the period April to December 2019 was positive for both equity markets and the world economy. However the effects of COVID-19 in late February and March 2020 resulted in a market crisis which would almost certainly have resulted in a financial market meltdown had it not been for the unprecedented actions of the US Federal Reserve supported by other major central banks and the fiscal policy initiatives announced by the governments of a number of leading world economies.

However, despite unprecedented monetary and fiscal stimulus by central banks and governments world equity markets were down over 20% for the January to March 2020 Quarter and the impact of COVID-19 on the world economy looked extremely serious. Overall, for the year 1 April 2019 to 31 March 2020 world equity markets measured by the MSCI World Index were down over 10%.

**John Raisin Financial Services Limited**

**Independent Advisor**

**27 July 2020**

Fund Investment Strategy

During the year the fund took the following decisions and actions in relation to its investment strategy:

The fund took the decision to move ahead with an equity protection strategy, appointing L&G as its partner to implement this strategy. Implementation of this strategy took place during April 2019.

The fund also took the decision to exclude fossil fuel stocks from its UK equity portfolio. Implementation of this decision will take place during the first half year of 2020.

Table 1 below shows the current and strategic benchmarks.

###### Table 1

|  |  |  |
| --- | --- | --- |
| **Manager** | **Benchmark**  **Weightings**  **Current (%)** | **Strategic Benchmark Weightings (%)** |
| Equities | 59.7 | 60 |
| Equity Protection | 18.2 | 15 |
| Property | 9.8 | 8 |
| Alternatives | 11.9 | 17 |
| Cash | 0.4 | 0.0 |
|  | 100.00 | 100.00 |

A summary of the resulting distribution of fund assets as at 31 March 2020 and March 2019 is shown in Table 3 below.

###### Table 2 - Summary of Fund Investment Assets as at 31 March 2020 and 2019

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Manager** | **Asset Class** | **Market Value**  **31.3.20**  **£000 millions** | **Total Fund**  **31.3.2020**  **(%)** | **Market Value**  **31.3.19**  **£000 millions** | **Total Fund**  **31.3.2019**  **(%)** |
| AXA Framlington | UK Equities | 165.4 | 19.3 | 279.9 | 30.3 |
| LCIV – Baillie Gifford | Global Equities | 148.2 | 17.3 | 121.2 | 13.1 |
| LCIV - LongView | Global Equities | 127.8 | 14.9 | 121.5 | 13.2 |
| LCIV – JP Morgan | Emerging Market Equities | 69.1 | 8.1 | 83.0 | 9.0 |
| Wellington Management | Global Fixed Income | 0.0 | 0 | 40.4 | 4.4 |
| Wellington Management | Multi Sector Credit | 0.0 | 0 | 62.1 | 6.7 |
| Global Infrastructure Partners | Infrastructure | 52.2 | 5.9 | 57.8 | 6.3 |
| Capital Dynamics | Infrastructure | 46.4 | 4.6 | 49.7 | 5.4 |
| UBS | UK Property | 27.4 | 3.2 | 28.0 | 3.0 |
| Darwin | UK Property | 36.3 | 4.2 | 34.2 | 3.7 |
| Invesco | UK Property | 20.5 | 2.4 | 20.3 | 2.2 |
| Impact Ventures UK | Social Impact | 3.5 | 0.4 | 3.6 | 0.4 |
| London CIV | London Pool | 0.2 | 0.0 | 0.2 | 0 |
| LGIM | Equity Protection | 155.9 | 11.8 | 0.0 | 0 |
| Cash |  | 2.2 | 0.3 | 20.2 | 2.2 |
| Residual Assets |  | 0.2 | 0.0 | 0.3 |  |
| **TOTAL** |  | **855.3** | **100** | **922.4** | **100** |

Table 2 reflects the movement between asset classes throughout 2019/20. 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. £0.41m was returned to the fund from DTZ Aurora Property Fund. These investments are still in winddown with the fund due to close during 2020. Between the two infrastructure managers and IVUK, £13m was drawn down and £4.5m returned to the fund. This left an undrawn commitment of £11.96m mainly due to GIPIII fund. £0.62m was drawn down into the Impact Venture UK fund leaving and undrawn commitment of £0.5M. Drawdowns were funded through income or capital returned.

## Pension Fund Accounts 2019/20

The 2019/20 Accounts are attached as Appendix 1. The Accounts show that over all there was a net decrease in the assets of fund of £67.6m from £930.1m at 31 March 2019, to £862.5m at 31 March 2020.

From dealings with members, employers and others directly involved in the scheme, there was a net decrease of £15.2m.

Taking investment income net of management expenses, plus the additions to the Fund from dealings with members there were £13.3m less funds for investment. The net decrease in the value of the fund investments, (realised and unrealised), was £54.3m. The investment performance for the year is set out in the next section.

## Pension Fund Performance 2019/20

##### Fund Returns 2019/20

Table 1 below sets out the quarter by quarter results for the Fund in 2019/20. Over the year. Fund return was -5.4%, against the benchmark return of -3.9%, the Fund showed relative under performance of -1.5%.

###### Table 1 – Quarterly Fund Returns 2019/20

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Q2**  **April-June 2019** | **Q3**  **July-September 2019** | **Q4**  **October-December 2019** | **Q1**  **January- March 2020** | **Total Annual Performance**  **2019/20** |
|  | **%** | **%** | **%** | **%** | **%** |
| **Fund Return** | 3.9 | 0.8 | 0.5 | -9.8 | -5.4 |
| **Benchmark Return** | 3.2 | 1.5 | 0.7 | -11.0 | -3.9 |
| **Relative Return** | 0.7 | -0.7 | -0.2 | 1.2 | -1.5 |

All figures provided by Mercer 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 2018/19 and 2019/20

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Manager** | **Asset Class** | **Portfolio Return 2018/19 %** | **Benchmark return 2018/19 %** | **Relative Return 2018/19 %** | **Portfolio Return 2019/20 %** | **Benchmark return 2019/20 %** | **Relative Return 2019/20 %** |
| AXA Framlington | UK Equities | 3.5 | 6.4 | -2.7 | -19.3 | -18.5 | -0.8 |
| London CIV – LongView | Global Equities | -0.3 | -1.3 | 1.1 | -12.6 | -5.8 | -18.4 |
| London CIV – Baillie Gifford | Global Equities | -0.5 | -0.4 | 0.0 | -1.7 | -6.2 | 4.5 |
| London CIV – Janus Henderson/JP Morgan\*\* | Emerging Market Equities | 3.3 | 4.4 | -1.0 | -17.0 | -13.5 | -3.5 |
| Wellington | Global Fixed Income | 3.5 | 4.6 | -1.1 | 0.0 | 0.0 | 0.0 |
| Wellington | Multi Sector Credit | 1.9 | 4.1 | -2.2 | 0.0 | 0.0 | 0.0 |
| DTZ | European Property (Aurora Fund) | -1.0 | 5.6 | -6.2 | 0.0 | 0.0 | 0.0 |
| UBS | UK Property (Triton Fund) | 6.4 | 5.6 | 0.7 | 0.8 | 0.1 | 0.7 |
| Darwin | UK Property (DLPF) | 7.2 | 8.0 | -0.7 | 6.3 | 8.0 | -1.7 |
| Invesco | UK Property (PRS) | 0.1 | 5.6 | -5.2 | 1.9 | 0.1 | 1.8 |
| Capital Dynamics II | Infrastructure (CEI) | 15.5 | 15.0 | 0.1 | -1.8 | 15.0 | -16.8 |
| Capital Dynamics III | Infrastructure (CEI) | 28.1 | 15.0 | 11.4 | 17.2 | 15.0 | 2.2 |
| GIP II | Infrastructure | 13.2 | 15.0 | -1.5 | -4.4 | 15.0 | -19.4 |
| GIP III | Infrastructure | 43.8 | 15.0 | 25.1 | -5.5 | 15.0 | -20.5 |
| IVUK | Social Impact | -8.7 | 7.0 | -14.9 | -26.1 | 7.0 | -33.1 |

*Figures shown are net of fees and based on performance provided by Investment Managers, Mercer estimates and Thomson Reuters Datastream.*

*For periods over one year the figures in the table above have been annualised.*

*Total performance is sourced from State Street prior to 31 March 2019, and estimated by Mercer thereafter.*

*Total Fund since inception taken as 31 March 1991 as reliable data prior to this date is not available.*

*Invesco UK Property performance is provisional.*

*Capital Dynamics Infrastructure (CEI II) performance is provisional and estimated by Mercer using the quarterly change rate in the USD/GBP exchange rate.*

*The performance for Impact Ventures is based on estimates of the opening and closing NAV, and any movements over the quarter.*

## Investment Performance

##### April 2019 to March 2020

The Fund returned -5.4% over the year against a benchmark return of -3.9% with relative return of -1.5%. The overall negative return against benchmark for the year was principally due to under performance of some global and emerging Market equities and infrastructure investments.

Results from the Pirc Local Authority Universe showed that the average local authority returned -4.8% in 2019/20. Against the universe the LBWF fund return was -5.4% and was ranked in the 62nd percentile out of 63 funds valuing £180bn.

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 has some where to go to meet its overall strategic aim, given the funds return of -5.4% for 2018/19 and 6.9% for 2018/19.

LB Waltham Forest Pension Fund returns vs Local Authority Universe

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total Fund Return % | 43.1 | 10.4 | 4.3 | 11.8 | 11.4 | 12.5 | -3.6 | 13.9 | 3.8 | 6.9 | -5.4 |
| Ranking in Local Authority Universe | 6 | 3 | 24 | 86 | 3 | 63 | 98 | 98 | 55 | 36 | 63 |

## 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** |
| **Fund** | 1.6 | 2.9 | 6.4 | 5.0 |
| **Fund Benchmark** | 2.5 | 5.1 | n/a | n/a |
| **Relative return** | -0.9 | -2.2 | - | - |
| **LA Universe Average** | 1.9 | 5.2 | 6.9 | 5.5 |
| **Relative return** | -0.3 | -2.3 | -0.5 | -0.5 |
| **Ranking** | 53 | 100 | 73 | 63 |

**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 2019/20**

**Benefits**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Period April to March** | **Charter Standard** | | **Total** | **Apr to Mar 19/20** | **Target** |
| **Area of Work** | **NO** | **YES** |  |  |  |
|  |  |  |  |  |  |
| New Scheme Member | 15 | 2,173 | 2,188 | 99.31% | 95.00% |
| Transfers In | 10 | 238 | 248 | 95.97% | 95.00% |
| Early Leavers | 1 | 1,326 | 1,327 | 99.92% | 95.00% |
| Redundancy | 0 | 45 | 45 | 100.00% | 95.00% |
| Transfers Out | 36 | 329 | 365 | 90.14% | 95.00% |
| Refunds | 0 | 227 | 227 | 100.00% | 98.00% |
| Pension Sharing on Divorce | 1 | 20 | 21 | 95.24% | 98.00% |
| Correspondence | 1 | 98 | 99 | 98.99% | 98.00% |
| Retirements | 49 | 1,968 | 2,017 | 97.57% | 98.00% |
| Deaths | 30 | 317 | 347 | 91.35% | 98.00% |
|  |  |  |  |  |  |
| **Total** | **143** | **6,741** | **6,884** | **97.92%** | **96.70%** |

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 2019-20 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 chooses 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 31March 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**](http://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 2019 was 1.7% (2018: 2.4%).

***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.wandsworth.gov.uk/pensions)

<http://www.lgpsmember.org/>

## GOVERNANCE REPORT

Pensions Fund Committee

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

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

During the 2019/20 Committee cycle we had no changes to the Pension Fund Committee membership.

Members and Observers of the Committee for 2019-20 where

Chair: Councillor Johar Khan

Councillors: Councillor Keith Rayner, Andy Hemsted, Karen Bellamy and Terry Wheeler

Observers: Employer Representative Alan Leak

Officers and Advisor: Independent Advisor John Raisin

John Turnbull – Strategic Director of Finance and Governance

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 2019/20:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Name | Voting Rights | June 19 | Sep 19 | Oct 19 | Nov 19 | Feb 20 | March 20  \*\* |
| Cllr Johar Khan | yes | √ | √ | √ | √ | √ | n/a |
| Cllr Keith Rayner | yes | x | √ | √ | √ | √ | n/a |
| Cllr Karen Bellamy | yes | x | √ | √ | √ | x | n/a |
| Cllr Andy Hemsted | yes | √ | √ | √ | x | √ | n/a |
| Cllr Terry Wheeler | yes | √ | √ | √ | √ | √ | n/a |
| John Turnbull | no | x | x | √ | √ | √ | n/a |
| Debbie Drew | no | √ | √ | √ | √ | √ | n/a |
| John Raisin  (Independent Advisor) | no | √ | √ | √ | √ | √ | n/a |
| Union Representative  David Knight | no | x | x | x | x | x | n/a |
| Employer Representative  Alan Leek | no | x | x | x | x | x | n/a |

*\*\* The March meeting was cancelled due to the Covid19 restrictions.*

Other attendees at pension fund Committee meetings were as follows:

June 19 – Jake Bacchas - Director of financial Services, Peter Gent the Funds Investment Consultant (Mercer), Kevin Cullen - Client Relationship Director, Mike O’Donnell Chief Executive of the London CIV Ltd and Neil Sellstrom from Pirc.

September 19 – Rob Manning – Director of Return on Investment (for John Turnbull, Director of Finance and Governance), Peter Gent Investment - Consultant, James Hunter – Actuary and Tomi Nummela (associate) (Mercer).

October 19 – Peter Gent – Mercer Consulting, Erik Britton – Managing Director Fathom Consulting Ltd and Andrea Zazzarelli – Technical Director Fathom Consulting Ltd.

November 19 – Peter Gent, the fund’s Investment Consultant (Mercer), James Hunter, the funds Actuary, Chris St-John - Portfolio fund Manager (AXA) and Tracey Milner – Director of Institutional Sales AXA UK.

February 2020 – James Hunter – Mercer (the funds Actuary).

March 20 – Cancelled due to Covid19 restrictions as was the June meeting. The March papers were produced and put on the website. These papers were considered for noting at the next pension committee in September 2020.

**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>

The Pension Board Annual Report for 2019/120 is attached in appendix 8.

**Members of the Pension Board**

Chris Buss Independent Chair

Stuart Petrie Employer Representative

Olu Akinfie Member Representative

Sandra Bennett Member Representative (Unison)

Annette House Employer Representative (resi

**Meetings held:**

15 May 2019

30 October 2019

12 February 2020

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 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 an 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 2019/20 members of the Pensions Committee have attended no external training and had training delivered by external fund advisors and other pensions experts at the normal Pensions Committee.

Training covered by normal Committee meetings covered the following topics:

Pensions Administration

Accounting and Audit

LGPS – Current issues

Investment Strategy and Asset Allocation

During the year Investment consultants, actuaries as well as economists attended the Committee meetings and informed on issues relating to general, 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**

**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

CERTIFICATION BY THE STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

Date: John Turnbull CPFA

Strategic Director of Finance and Governance

## Pension Fund Advisers and Other Service Providers 2019/20

During 2019/20, the following provided services to the Pension Fund:

##### Custodial Services

State Street Bank and Trust Company

20 Churchill Place

Canary Wharf

London E14 5HJ

##### Actuarial Services

Mercer Limited,

Mercury Court,

Tithebarn Street,

Liverpool,

L2 2QH

##### Investment Consultancy and Advice Services

Mercer Limited,

Mercury Court,

Tithebarn Street,

Liverpool,

L2 2QH

##### Pension Fund Performance Measurement

State Street Investment Analytics,

525 Ferry Road,

Edinburgh,

EH5 2AW

Mercer Limited

Mercury Court,

Tithebarn Street,

Liverpool,

L2 2QH

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 Ernst and Young

Ernst & Young LLP

400 Capability Green,

Luton, Bedfordshire

LU1 3LU