ROYAL BOROUGH OF GREENWICH

PENSION FUND

ANNUAL REPORT

2017/18

CONTENTS

Message from the Pension Fund Investment and Administration Panel

We are pleased to present the Fund's annual report for 2017/18. The Fund has had an excellent year, with net asset value rising by £41m to £1.275bn, an increase of 3.3% from the previous year. The latest funding update shows the Pension Fund is now 91% funded.

The Panel has continued with a strong governance focus, aided by the Local Pension Board. The Board has helped to further strengthen governance and scrutiny within the Fund and helps to ensure compliance with regulations. The Panel continues to review the aims and objectives of the Fund and on annual basis and reviews all its policy documents.

The Fund has renewed its membership of the Local Authority Pension Fund Forum which seeks to harness and optimise shareholder influence, promote corporate social responsibility and high standards of corporate governance.

A rolling programme of LGPS specific and institutional investment training for Panel members and officers continued during 2017/18 to ensure that they have the knowledge and skills to undertake their fiduciary duties.

The Fund has also continued to engage with the London Collective Investment Vehicle (CIV) to ensure that cost savings can be identified, through collaboration with other LPGS Funds.

We will continue to work with Officers to ensure that the Fund is managed effectively for the benefit all members.

The Pension Panel

Message from the Director of Finance

I am pleased to report that the Fund delivered positive results over the year for its members. The Fund's revised asset allocation strategy, which was fully implemented in the last financial year, has had a positive impact on the Fund's asset value, which increased from £1.234bn to £1.275bn.

The Fund's active membership has continued to remain strong and the continued impact of auto-enrolment has resulted in an increase in active membership by 26% in 5 years with pensioners rising by 11% during the same period. There are now 54 active employers in the Fund with an increase in the number of new members.

The Local Pension Board, just in its third year since it was established, has been effective in assisting the Royal Borough of Greenwich (the administering authority of the Fund) in its role as scheme manager. The Board met formally on five occasions during 2017/18.

The Royal Borough of Greenwich Pension Fund is committed to managing your investment efficiently and effectively. This means:

1. Performance managing investment managers to drive the delivery of returns they agreed to make;
2. Negotiating fair fees with managers to ensure we are not paying excessive transaction costs
3. Reviewing our investment structure and objectives in the light of economic changes using the asset liability study tools.
4. Choosing investments wisely and mitigating poor performing activities in real time.
5. Training our panel members and officers to ensure effective due diligence and focused and sound stewardship.
6. Exploring opportunities for new ways of administering the Fund that deliver lower costs and improve returns.

2018/19 will continue to see more challenges for the LGPS, with continued scrutiny from tax payers and central government bodies. The Fund will remain innovative, ensuring it provides value for money for employers and members alike.

Kevin Gibbs
Director of Finance

Message from the Chair of the Pension Board

Welcome to the third annual message of the Local Pension Board. The Board was established in 2015 arising from the Public Sector Pension Act 2013 and Local Government Pension Scheme (LGPS) Regulations 2015.

The purpose of the Board is to assist the Administering Authority to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and ensure efficient and effective governance and administration of the Fund.

This report covers the period 1st April 2017 to 31st March 2018 within which the Board has held five formal meetings. During this period, members of the Board have continued to develop their knowledge and understanding of the LGPS and the Pensions Regulator requirements as required by law.

In its third year of operation, the Board focused on its statutory responsibilities with a core agenda of key governance themes around the Fund's legal compliance, risk management and best practice.

I am pleased to say that with the support of officers and professional advisors to the Fund; the Board has made good progress in fulfilling its terms of reference and continuing to support the Council fulfil its statutory duties as an administering authority.

The Board reviewed the fund's investment assets and how they are managed. It was content that the Panel, with the help of professional advisors had followed due process in making decisions.

The Board has also reviewed the Fund's communication strategy and stressed the need for all scheme information to be kept up to date and recommended improvement of the fund's website to fund employers and members.

Looking ahead, the Board will continue to work closely with the Panel across a broad range of areas and ensure that the new mandates embed into the overall management arrangements effectively. I also want to thank my fellow Board members for their commitment to their roles.

Councillor Peter Brooks
Chair – Pension Board

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF GREENWICH ON THE CONSISTENCY OF THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE PENSION FUND ANNUAL REPORT

Opinion

The pension fund financial statements of Royal Borough of Greenwich (the "Authority") for the year ended 31 March 2018, which comprise the fund account, the net assets statement and the related notes of Royal Borough of Greenwich Pension Fund, are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 19 July 2018.

Chief Executive and Section 151 Officer's responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Executive and Section 151 Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Paul Dossett

Paul Dossett
30 Finsbury Square
London
EC2P 2YU

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

19 July 2018

SCHEME OVERVIEW

The Royal Borough of Greenwich Pension Fund is part of the LGPS which is governed by various regulations. Its benefits are therefore defined and guaranteed in law. The LGPS was contracted-out of the State Second Pension (S2P) for 2015/16. The scheme changed to be 'contracted in' during April 2016. The Pension Fund fulfils the requirements of the Public Services Pensions Act 2013, which requires Councils to maintain a Pension Fund for its own employees and employees admitted to the Fund under an admission agreement.

The Royal Borough of Greenwich is the Administering Authority and the Director of Finance is responsible for the day to day administration of the Fund.

The Royal Borough of Greenwich Pension Fund is a funded pension scheme which means that contributions into the Fund are made by employers and employees which are then used to make investments upon which a return is anticipated. Benefits are paid using the Funds cash flow.

Employee contribution rates are set by regulations and are dependent upon each member's actual pensionable pay. Employee contributions attract tax relief at the time they are deducted from pay.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last formal triennial valuation took place as at 31 March 2016 and showed that the fund was 91% funded. The deficit is to be funded by employer contributions over the course of 20 years.

The investment objective of the Pension Fund is to ensure that the Fund has sufficient assets to pay pensions and other benefits by maximising investment returns within acceptable risk tolerances.

From 1 April 2014, scheme contributions and benefits relating to service earned from that date changed and have moved to inflation linked Career Average Revalued Earnings (compared to final salary prior to the date of change). The higher accrual rate of 1/49th (rate pension is earned) was introduced and members now have the choice to join the 50/50 section, which entails paying in half of the normal employee contribution rate, in return for half of the normal benefits. The average contribution rate for employees has remained at 6.5%, but higher earners will pay more. The option to convert pension to lump sum has remained. Benefits from 1 April 2008 to 31 March 2014 are calculated using the accrual rate of $^{1}/_{60}$ for pension and based on final salary. The accrual rate Pre April 2008 was $^{1}/_{80}$.

Benefits earned prior to April 2014 are protected. A comparison of the benefits under the old (pre March 2014) and current (post March 2014) scheme is provided in Appendix A.

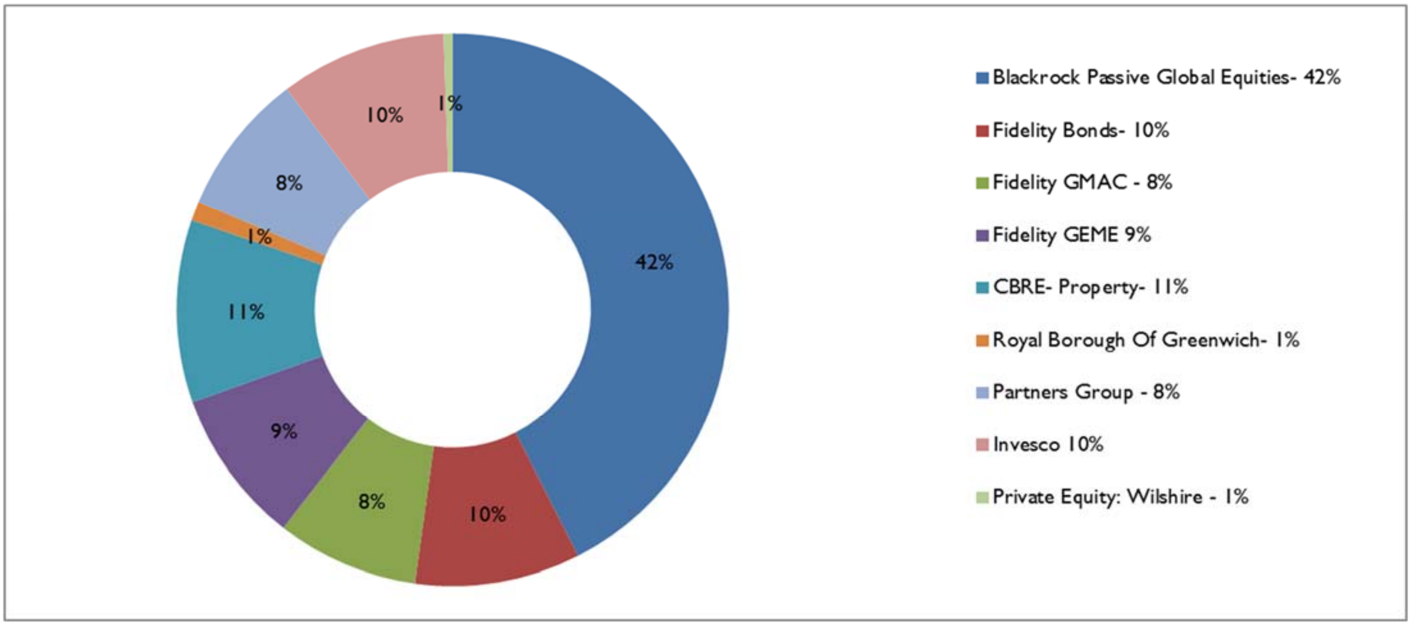
It is also a requirement of the LGPS that employees are given a facility to enhance their pension arrangements through the use of Additional Voluntary Contributions (AVCs). The Royal Borough of Greenwich Pension Fund uses Clerical Medical as its current AVC provider; however, members who held an account with the previous AVC provider (Equitable Life) continue to do so.

THE PENSION FUND AT A GLANCE

As at 31 March 2018, the Royal Borough of Greenwich Pension Fund comprised:

- 54 active employers
- Net assets valued at £1.275bn
- 24,549 members of which 9,663 were actively contributing into the fund, 6,822 were drawing benefits from the fund and the remainder had rights to deferred benefits.

Breakdown of Scheme assets by manager as at 31 March 2018



SCHEME MANAGEMENT AND ADVISORS

Administering Authority:	Royal Borough of Greenwich
Officers:	Kevin Gibbs (Director of Finance)
Panel Members:	Don Austen (Chair of Panel) Olu Babatola Mick Hayes
Panel Observers:	Unite GMB Unison
Board Members:	Peter Brooks (Employer Representative) Norman Adams (Employer Representative) Simon Steptoe (Member Representative) Justine Jardine (Member Representative)
Actuary:	Barnett Waddingham
Investment Consultant:	Hymans Robertson
Investment Managers:	Blackrock Fidelity CBRE LGT Capital Partners Wilshire State Street Partners Group Invesco
AVC Providers:	Clerical Medical Equitable Life
Custodian:	State Street
Auditor:	Grant Thornton
Performance Measurement:	WM Company / Hymans Robertson
Bankers:	National Westminster Bank Plc

RISK MANAGEMENT

Risk Management and Governance

The Panel is responsible for the prudent and effective stewardship of the Royal Borough of Greenwich Pension Fund. As part of this duty, the Panel oversees the monitoring and management of risk. This role includes:

- Determining the risk management policy and reconciling this with wider organisational risk policy
- Setting the risk management strategy in line with the risk policy
- Overseeing the risk management process

The risk management process involves:

- Risk identification
- Risk analysis
- Risk control and monitoring.

A key tool for the management of risk is the risk register. The register incorporates an assessment of likelihood and impact of risk events as well as control measures in place and an overall risk score. The risk register is kept under review by the Director of Finance and is presented to the panel.

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

How Risks Are Identified, Managed and Reviewed

Risks are identified and assessed using a scoring matrix. The scoring matrix assesses two elements of a risk:

- the **chance** of it happening
- the **impact** if it did happen.

Each element is independently assessed on a scale of 1-5. These scores are then combined to give an overall score. The higher the score the more chance a risk will occur and the more significant the impact will be.

The risk register lists the risks identified, the consequence of each risk occurring and the score assigned to each risk. Procedures and controls are then considered and the risk is reassessed and a second score applied in light of these.

This process identifies the risks with the highest scores which are then prioritised for review by Senior Management.

The panel and officers are mindful of risk in carrying out their duties on a day to day basis and any significant risks identified are reviewed and managed through processes and controls accordingly.

Key Risks

The following categories of risk are identified by the risk register:

- Administrative risk
- Compliance/regulatory risk
- Employer risk
- Investment Risk
- Liability Risk
- Reputational Risk
- Skill Risk

Details of individual risks are stated within each category. Due to the controls in place to mitigate risk, there are currently no areas requiring immediate senior management attention, but this will remain under review.

A copy of the Risk Register can be found at Appendix B.

Management of Third Party Risk

The Fund's investment managers and its custodian issue annual internal control documents. These documents identify internal processes and procedures and details of the audit testing performed during the year. These provide comfort to the Fund that risk management and control policies and procedures are in place within these organisations.

The Director of Finance analyses and reconciles information provided by the custodian to that of the investment manager. Each quarter, the Panel receives a draft set of quarterly accounts. In preparing these, the assets held by each manager are reviewed and reconciled. The Panel also receives quarterly performance reports in which manager performance is reviewed. Any issues arising out of these reviews are raised at the Panel meeting.

The fund's Investment Adviser monitors the market and the activities of investment managers and informs officers if there are any concerns such as key changes of staff.

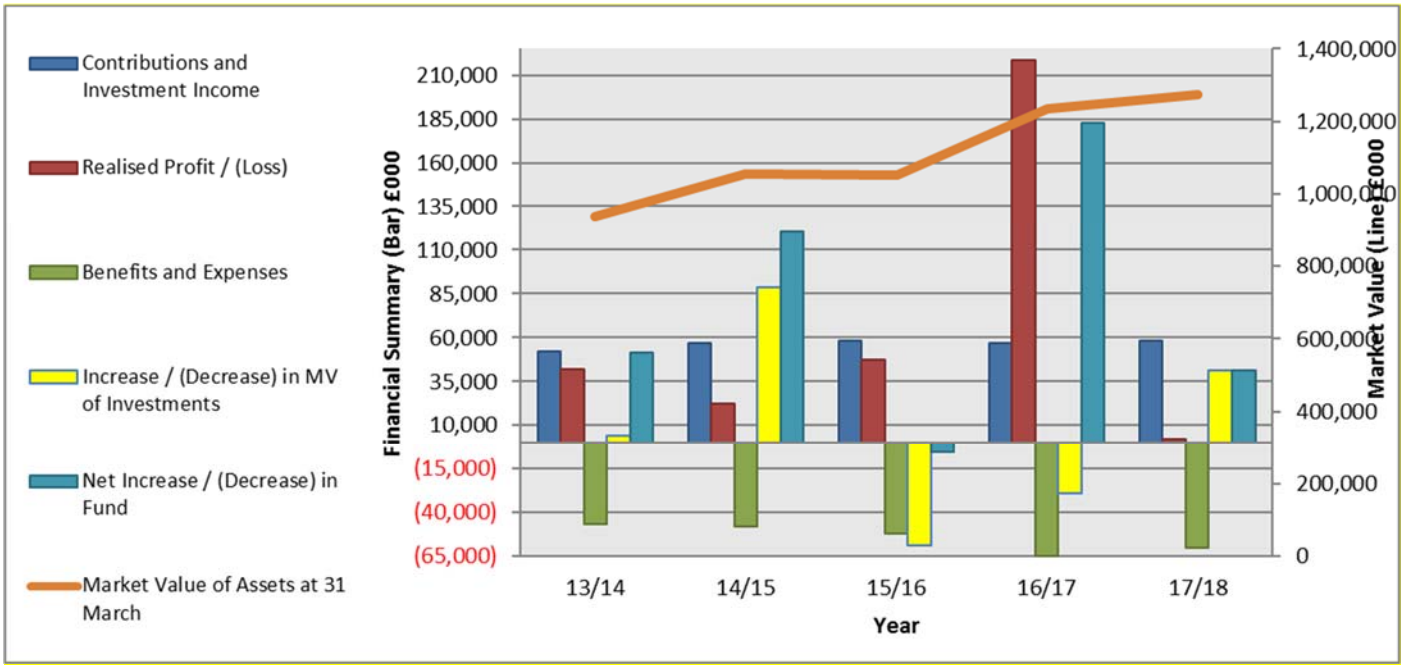
FINANCIAL PERFORMANCE

Below is a five-year financial summary of the fund. The value of the fund has increased year on year since the economic crisis of 2008, up until the end of 2015/16, when there was a small decrease in market value of £5.1m. The upward valuation movement recommenced in 2016/17 and carried on into 2017/18, resulting in an increase in market value of £41.3m. A comparison has, been made between the year on year change in market value of the fund and the FTSE 100 index. The fund performed well, with an increase in market value of 3.3%. A more detailed performance review of the fund comparing performance against the fund's specific benchmarks is available in the Investment Policy and Performance section of this report.

Five Year Financial Summary

Financial Summary	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**
	£000	**£000**	**£000**	**£000**	**£000**
Contributions and Investment Income	51,966	57,005	58,331	57,016	57,977
Realised Profit / (Loss)	42,019	22,271	47,389	218,811	2,054
Benefits and Expenses	(46,857)	(47,998)	(51,903)	(64,620)	(60,244)
Net Annual Surplus / (Deficit)	47,128	31,278	53,817	211,207	(213)
Increase / (Decrease) in MV of Investments	4,296	88,988	(58,890)	(28,804)	41,511
Net Increase / (Decrease) in Fund	51,424	120,266	(5,073)	182,403	41,298
Market Value of Assets at 31 March	**936,436**	**1,056,702**	**1,051,629**	**1,234,032**	**1,275,330**

Change in Greenwich Fund Market Value	5.8%	12.8%	(0.5%)	17.3%	3.3%
Change in FTSE 100	11.1%	2.9%	(8.8%)	18.6%	(3.8%)



Budgeted Fund Account

The Fund cashflow estimate for 2018/19 summarises a number of trends namely, increasing pension payments to members through new pensioners, although the increase is not as high as prior years as we have not experienced the same level of voluntary redundancies within the authority.

Net inflow for the year was higher than the previous year due to lump sum payments being dramatically less. This is a result of members taking voluntary redundancy in 2016/17. Income for 2018/19 is expected to remain at the current level.

	2016/17	2017/18	2018/19
	Actual	Actual	Estimate
Budgeted Fund Account- Fund Cashflow	£m	£m	£m
Pension(or annuities): retired employees and dependents	(41)	(42)	**(43)**
Lump sums on retirement (including deferred)	(17)	(7)	**(8)**
Lump sums on death	(1)	(1)	**(1)**
Administration and fund management costs of the Fund	(1)	(1)	**(1)**
Transfer values including apportionments	(1)	(4)	**(2)**
Total expenditure	**(61)**	**(55)**	**(55)**
Contributions (including those from other employing authorities): employees	12	13	**13**
Contributions (including those from other employing authorities): employers	33	34	**34**
Investment income	10	5	**8**
Transfer values including apportionments	1	6	**3**
Total income	**56**	**58**	**58**
Net inflow/ (outflow)	**(5)**	**3**	**3**

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Investment management expenses have increased in 2017/18 compared to the previous financial year due to the costs associated with three new Mandates put in place mid 2016/17. The Fund has diversified its bond asset into Global Multi Asset Credit, which has also increased the management expenses.

Administrative costs were higher in 2017/18 than the previous year due to a one-off cost of £0.112m for IT charges. Administration costs for 2018/19 are therefore predicted to be lower than 2017/18.

Administration and Investment Management Costs	2016/17* Actual £000	2017/18 Actual £000	2018/19 Forecast £000
Administration			
Central costs	759	851	756
Other	9	10	9
Total Administration	**768**	**861**	**765**
Total Oversight & Governance	**183**	**121**	**141**
Total Investment Management	**2,905**	**4,789**	**4,933**
Total Costs Charged to the Fund	**3,856**	**5,771**	**5,839**

* 2016/17 Figures have been restated, to re-classify London Collection Investment Vehicle (CIV) Fees of £0.025m from Oversight and Governance costs to Investment Management Expenses. Investment Advisory Fees have also been reclassified, from Investment Management Expenses to Oversight and Governance Costs.

The pension service comprises 12 members of staff covering both the employing and administration duties. This equates to 2,046 members of the fund to each full time equivalent post compared to 2,233 in 2016/17.

Membership Summary

The table and graph below show a summary of membership numbers over the last five years. The number of active members has increased by 26% over 5 years, with pensioners also increasing by 11% and deferred members increasing by 57% over the same period.

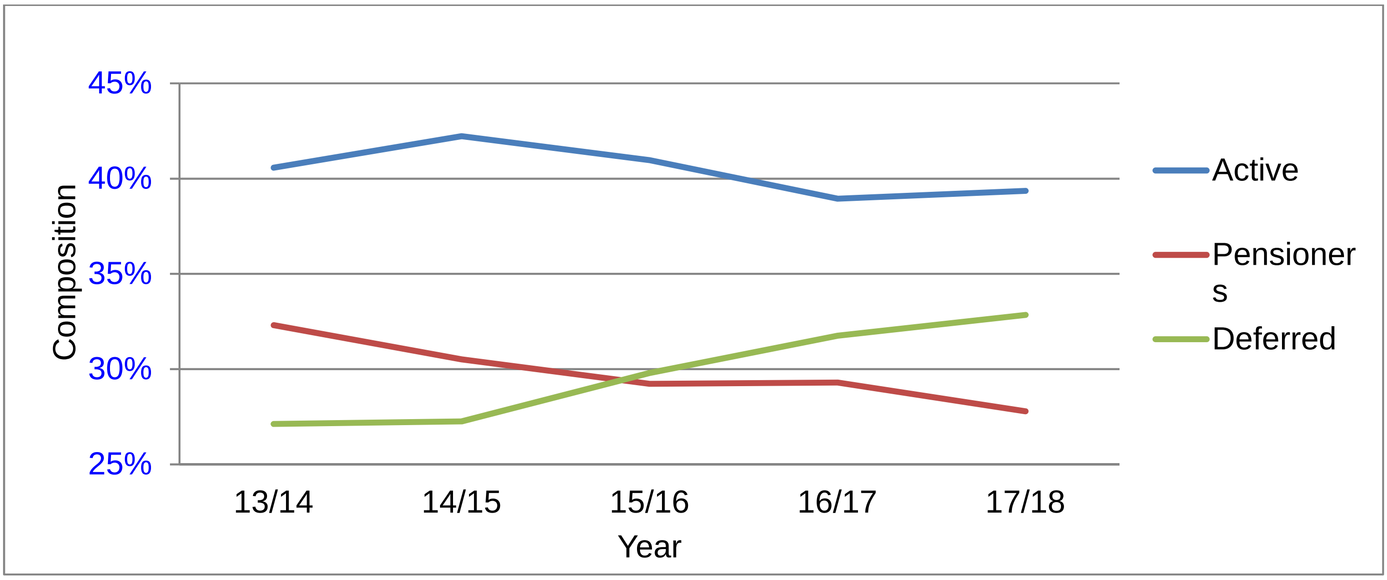
Membership Numbers Over 5 Years

Membership	2013/14	2014/15	2015/16	2016/17	2017/18	Movement over 5 Yrs
Active	7,694	8,407	8,813	8,828	9,663	26%
Pensioners	6,126	6,075	6,288	6,641	6,822	11%
Deferred	5,143	5,426	6,410	7,198	8,064	57%
Total	**18,963**	**19,908**	**21,511**	**22,667**	**24,549**	29%

*2015/16 - 2017/18 figures include leavers who had not taken a decision on their retirement benefit options

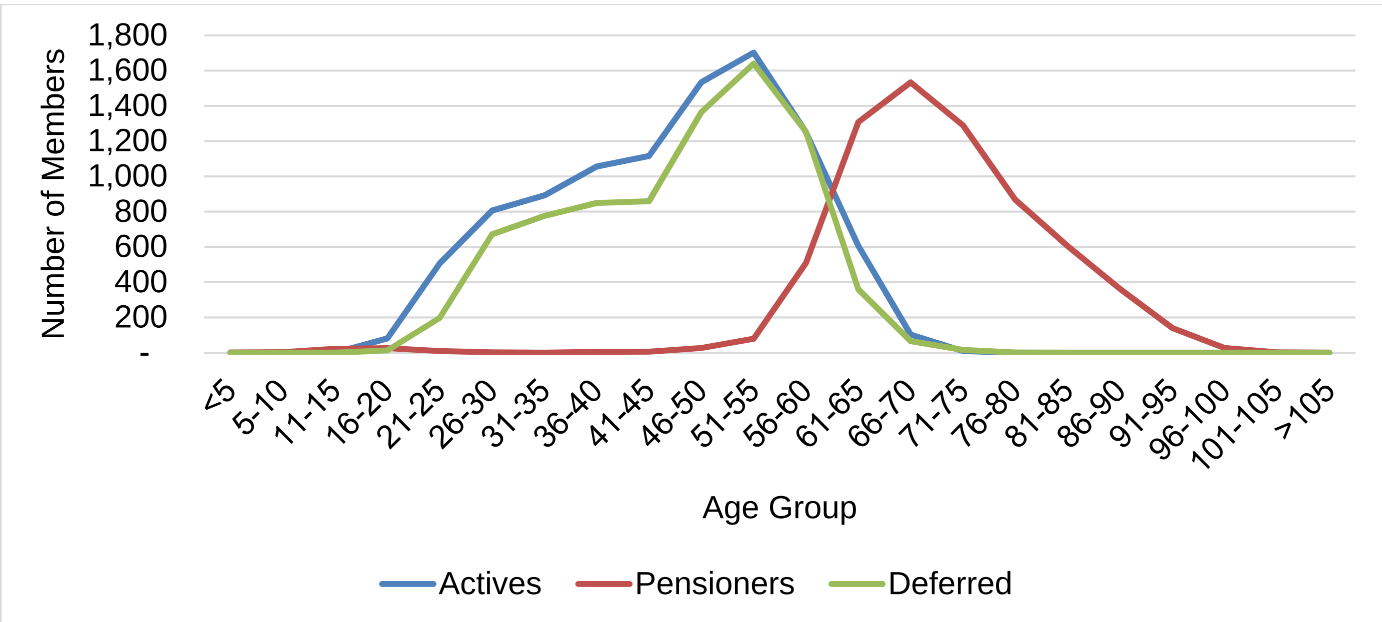
The following graph shows the change in the composition of membership over the last five years. In recent years, the proportion of active members has decreased in composition from a high of 42% in 2014/15 to 39% in 2017/18. Deferred members increased marginally by 1% to 33% from the previous year, whilst the proportion of pensioners reduced slightly to 28%.

Change in Composition of Membership Numbers over 5 Years:



The average age of an active pension fund member is 46. The average for pensioner members is 71, with the oldest being 104. The profile of the Fund's membership is depicted in the graph below.

Profile of Fund Membership



Employers' Summary

Employers are split into 3 categories:

- The Administering Authority, which is The Royal Borough of Greenwich (the "Authority").
- Scheduled Bodies, which are Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted Bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The Royal Borough of Greenwich has the largest share of active membership of the fund (72%). For 2017/18, 54 employers actively contributed to the fund. This includes the Administering Authority and the following Scheduled and Admitted bodies:

Administering	
Royal Borough of Greenwich	
Scheduled	**Admitted**
Charlton Park Academy	Advocacy In Greenwich
The Halley Academy	Bridge 86 Limited
Charlton Athletic	Central Greenwich CC
Compass Partnership of Schools	Cucina
Endeavour Partnership Trust	First Step Trust
Greenwich Catholic School Trust	G4S
Greenwich Free School	GLL -Children's Centre East
Greenwich Service Plus	GLL -Children's Centre South
GSS Ltd	GLL Libraries
Harris Academy Eltham	GLL Play Centre
Inspire Partnership Trust	Glyndon Community Centre
International Academy Trust	Greenwich CDA
Joint Crematorium Committee	Greenwich Leisure Limited
Maritime Academy Trust	Greenwich Mencap
Oxleas NHS Foundation Trust	Greenwich Mind
Shooters Hill Academy	Heritage Trust
St Pauls Academy	Homestart
St Thomas More	Kent Community Housing Trust
Stationers' Crown Woods Academy	May Harris Multi Services Ltd
UTC	Quaggy Development Trust
Woolwich Polytechnic School	Sanctuary Care Ltd
	Simba Housing Association
	St. Marys Community Complex
	Taylor Shaw
	West Greenwich House Community Centre.
	Westgate Cleaning Services - Sherrington
	Westgate Cleaning Services - St Mary's
	Widehorizons

Morden Mount School*
Hawksmoor School*
Discovery School*
Eglington School*

* These four schools are part of the Royal Borough of Greenwich but with an external payroll provider

The table below shows the total contributions made in the financial year.

Type	Administering	Admitted	Scheduled	Total
	£000	**£000**	**£000**	**£000**
Employers	27,233	1,997	4,660	33,890
Employees	9,978	960	1,686	12,624
Total	**37,211**	**2,957**	**6,346**	**46,514**

Statute specifies that contributions must be paid into the fund by the 19th day of the following month to that which they relate. The Pensions Regulations allows for interest to be levied on contributions that are not paid on time. This power was not exercised during 2017/18.

INVESTMENT POLICY AND PERFORMANCE

Investment Policy

The Royal Borough of Greenwich is the statutory body responsible for administering the fund. It has delegated responsibility for the management of the fund, including its investments, to The Panel. During 2017/18 the Panel comprised four Councillors from the Royal Borough of Greenwich (including one vacancy), who have full voting rights. Trade Union representatives, staff from the Finance Directorate and professional advisors also attend Panel meetings but do not have voting rights.

The main objective of the Fund is to ensure that there are enough assets in the Fund to cover liabilities of promised retirement benefits; and to do this within acceptable risk parameters.

The Royal Borough of Greenwich Pension Fund is committed to managing investments efficiently and effectively. This means:

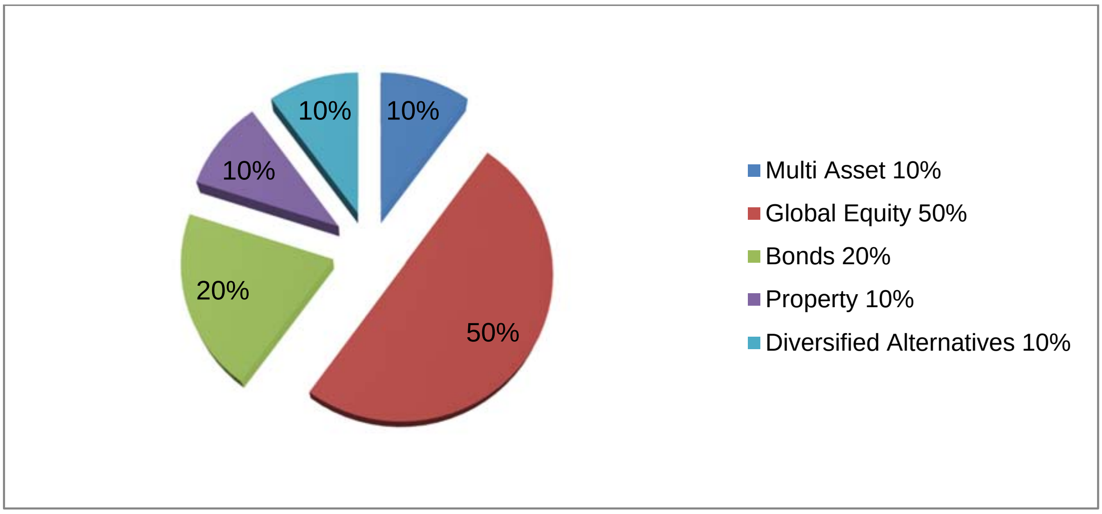
- Managing the performance of the investment managers to drive the delivery of returns they agreed to make.
- Negotiating fair fees with managers to ensure we are not paying excessive transaction costs.
- Reviewing our investment structure and objectives in the light of economic changes using the asset/liability study tools.
- Choosing investments wisely and mitigating poor performing activities in real time.
- Training our Panel members and officers to ensure effective due diligence and focused and sound stewardship.
- Exploring opportunities for new ways of administering the Fund that deliver lower costs and improve returns.

The Fund's Investment Strategy Statement specifies that the Fund may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index linked bonds, cash, property and alternative products (e.g. private equity), either directly or through pooled funds.

The Fund may also make use of derivative type investments either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

To support the Fund's objective of having enough assets to cover its liabilities and achieving this within acceptable risk parameters the Panel, in conjunction with the Fund's investment advisor, has set the following benchmark asset allocation:

Benchmark Asset Allocation



Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund. Fund managers are set risk parameters to provide them with some flexibility in achieving the asset allocation to allow them make the most of market conditions. They must seek approval for any positions that go beyond the agreed risk parameters set for their strategies. The following tables compare the actual asset allocation as at 31 March 2018 to the benchmark and the change from the previous financial year.

Actual Asset Allocation

	Value		Weight		Target Allocation
Asset Class Breakdown	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**	**31-Mar-18**	**2017/18**
	£m	**£m**	%	%	%
UK equities	297	194	15.5	15.2	15
Overseas equities	331	459	35.4	36.0	35
Bonds	224	228	18.2	17.9	20
Property	121	130	9.8	10.2	10
Private Equity - LGT & Wilshire	14	9	1.2	0.7	-
Diversified Alternatives - Partners Group	103	106	8.3	8.3	10
Cash	21	27	1.7	2.0	-
Multi Asset Strategy	122	123	9.9	9.7	10
Total Scheme	**1,234**	**1,275**	**100.0**	**100.0**	**100.0**

Over the year, the scheme assets increased by £41m. Following strong performance by equities over 2017, the Fund's overall equity allocation was overweight relative to the target allocation at the end of 2017/18.

Mandates have been managed during the year by the following investment managers:

Passive Equity	Blackrock
UK Aggregate Bonds	Fidelity
Global Emergency Market Equity	Fidelity
Multi Asset Credit Bonds	Fidelity
Multi Asset	Invesco Perpetual
Property	CBRE
Diversified Alternatives	Partners Group
Private Equity	LGT Capital Partners Wilshire

Breakdown of Scheme Assets by Manager as at 31 March 2017

The market value of holdings and their individual benchmarks are shown in the table below:

Fund Values	2016/17 Market Value (£m)	Weight (%)	2017/18 Market Value (£m)	Weight (%)	Benchmark
Blackrock- Passive Global Equities	529.4	42.9	538.0	42.0	Composite Benchmark
Fidelity	120.4	9.8	122.7	10.0	50% iBoxx sterling Non-gilts Index + 50% iBboxxGilts Index
Fidelity GMAC	104.1	8.4	105.3	8.0	Absolute Return of 3% p.a.
Fidelity GEME	105.3	8.5	121.5	10.0	MSCI Emerging Markets
CBRE- Property	123.1	10.0	135.2	10.0	AREF/IPD UK QPFI All Balanced Property Fund Index
Royal Borough Of Greenwich	11.7	1.0	14.4	1.0	-
Partners Group	102.6	8.3	105.6	8.0	Absolute Return of 7-11% p.a.
Invesco	122.5	9.9	123.1	10.0	3m LIBOR
Private Equity: Wilshire	9.1	0.7	6.7	1.0	MSCI World
Private Equity: LGT Capital Partners	5.3	0.4	2.3	0.0	MSCI World
State Street Global Markets	0.3	0.0	0.3	0.0	MSCI AC World Equity Index
London CIV	0.2	0.0	0.2	0.0	-
Total	**1,234.0**	**100.0**	**1,275.3**	**100.0**	**Composite Benchmark**

A review of the performance of each of the managers is provided later in this report.

Manager Performance

The following table shows the one-year and three-year performance of the Fund's managers.

Performance to 31 March 2018	1 year (%)			3 years (% p.a.)		
	Fund	Benchmark	+/-	Fund	Benchmark	+/-
Total Scheme	**4.1**	**4.1**	**0.0**	**7.7**	**7.1**	**0.6**
Fidelity – Bonds	2.2	0.8	**+1.4**	4.7	3.5	**+1.2**
Fidelity - GMAC	1.5	3	**-1.5**	N/A*		
CBRE – Property	10	10.4	**-0.4**	8.6	8.5	**+0.1**
Partners Group	4.4	9	**-4.6**	N/A*		
Invesco	0.6	0.4	**+0.2**			
BlackRock – Passive Global Equities	1.7	1.3	**+0.4**			
Fidelity - GEME	17.1	11.2	**+5.9**			

Source: Hymans Robertson (Performance-Gross of fees)
*N/A – Not Applicable

Overall, the Fund's assets performed in line with the benchmark over the periods shown.

Blackrock

In the first quarter of 2018, the portfolio performed broadly in line with the composite benchmark and outperformed its benchmark by 0.4% since inception.

The portfolio consists of an allocation to the UK Equity fund, World ex-UK Equity fund and RAFI 3000 fund. The three underlying funds performed broadly in line with their respective benchmarks.

Fidelity - Bonds

This fund continues to outperform the benchmark over longer time periods. It delivered an absolute return of 2.2% over the 12-month period and outperformed its comparative market index by 1.4%. Outperformance over the 3-year period was 1.2%.

The fund was overweight in credit position, which detracted from performance. This was in the main, due to adverse security selection in securitised bonds coupled with poor returns from holdings in roadside assistance firm AA. However, the fund was still able to track the benchmark, as coupon income offset much of these losses. The manager therefore decide to reduce exposure to this market segment as a result of these losses and increased the allocation in UK gilts.

Fidelity – Global Multi Asset Credit Bonds (GMAC)

The GMAC delivered an absolute return of 1.5% over 12 months, underperforming its target return of 3.0% p.a. by 1.5% and delivered a nil return over the last quarter. The key contributor to the fund's performance were the allocation to US leveraged loans and emerging market debt Allocation to Investment Grade credit was increased, whilst allocation emerging market was reduced as the fund profited from stretched valuations in the asset class.

Fidelity – Global Emerging Markets Equity (GEME)

The fund outperformed its benchmark over all time periods since inception. Over the quarter, the fund returned a negative return of 1.8% but outperformed its benchmark by 0.4% and 5.9% over the 12 months to 31 March 2018.

Gains were limited in the last quarter as fears of a trade war between US and China dominated headlines and investor sentiment in emerging markets also softened, as the pace of interest rate hikes in the US exceeded expectations. However, the portfolio was able to outperform the index in a falling market and this was attributable to stock selection in the information technology sector. An overweight in financials and an underweight in telecoms also helped to add to positive relative performance.

Invesco

The fund generated an absolute return of 0.6% outperforming its benchmark by 0.2% over 12 months and returned a positive return of 0.3% over Q1 2018, outperforming its benchmark by 0.2% also.

The outperformance over the quarter was mainly due to the fund's Global Equity idea, which was structured using call options on the S&P 500 index. Thus, despite global equity markets falling over the period, the fund was able to capture equity market upside in January whilst not giving away those returns when markets fell in February and March.

Partners Group

The fund returned a negative return of 0.2% over the quarter and 4.4% over the 12 months to 31 March 2018. Partners Group's target is to deliver a net IRR of 7-11% p.a.

The main reasons behind the poor relative performance in the quarter was a strengthening British pound and negative contributions from listed investments owing to weakening public equity markets.

Partners Group committed capital to acquire the 19-storey Botanic Tower in Brussels in March. As at the end of the quarter, this asset constitutes the 5th largest holding in the portfolio by net asset value.

CBRE

The fund is performing broadly in line with its benchmark over the longer time periods but delivered a return of 1.8% over the quarter, underperforming the index by 0.4%. However, holdings in the Industrial Property Investment Fund and the Airport Industrial PUT had a strong performance and Industrial property benefited from strong rental growth and market momentum over the past 24 months. Additionally, there was a small positive contribution from the balanced Schroder UK Real Estate Fund.

The strong performance in these holdings was partially offset by the weaker performance of funds in the retail and office sectors, which have continued to drag down relative returns. In recent months, Investor sentiment has moved away from this asset class due to a number of notable retailer administration announcements and store closures throughout the UK.

Overall, the portfolio is underweight in retail as a whole, whilst maintaining a strategic underweight exposure in high street retails.

Private Equity

The Scheme invests in two portfolios:

- **LGT Capital Partners** – this Scheme invests in the Crown European Private Equity Fund.
- **Wilshire** –invests in three funds:
    - Fund VII US
    - Fund VII Europe
    - Fund VII Asia

As of the 31 March 2018, private equity holdings and the following capital called and uncalled figures.

Fund	Called Capital (m)	Uncalled Capital (m)
LGT Crown European Private Equity Fund- EUR	30.5	1.4
Wilshire Fund VII US- USD	16.1	0.6
Wilshire Fund VII Europe-EUR	6.4	0.2
Wilshire Fund VII Asia-USD	2.6	0.2

The net “Internal Rate of Return” and the “Total Value to Paid in” of each portfolio can be seen below.

	IRR p/a	TVPI
LGT Capital Partners	9.20	1.61
Wilshire Fund VII US	7.29	1.56
Wilshire Fund VII Europe	5.50	1.38
Wilshire Fund VII Asia	7.61	1.51

Largest holdings

The following table gives the top 10 pooled fund holdings at 31 March 2018.

Top 10 Global Holdings as at 31 March 2018	Market value (£m)	Weight (%)
1 - Blackrock Aquila Life	201	15.77
2 - Blackrock ISHARES UK Equity	194	15.20
3 - Blackrock Aquila Life Glb 3000	136	10.65
4 - Invesco Perpetual	123	9.67
5 - Fidelity UK Aggregate	123	9.62
6 - Fidelity Institutional Funds Emerging Markets Acc	122	9.54
8 - Partners Ic Rbg Ltd	106	8.32
7 - Fidelity Qualifying Investor	105	8.25
9 - Schroder UK Real Estate Fund	12	0.96
10 - Ipif Feeder Unit Trust	12	0.93
	1,134	**88.91**

An asset liability study is utilised by the fund as a modelling tool for assessing funding and investment strategies in order to generate the optimal investment strategy. The asset liability modelling output provides the framework for making decisions around long term strategic benchmarks appropriate to the Fund’s liabilities; developing a funding strategy and identifying triggers for dynamic changes to the investment strategy.

Further details about the investment strategy can be found in the Investment Strategy Statement (Appendix C).

Responsible Investment Policy

The Fund expects its investment managers to engage with the companies within their portfolio on social, environmental and ethical issues. The Fund’s policy on Socially Responsible Investment can be found in the Investment Strategy Statement.

In 2013 the Fund became a member of the Local Authority Pension Fund Forum. This is a voluntary association of local authority pension funds which seeks to optimise local authority pension funds influence as shareholders, to promote Corporate Social Responsibility and high standards of corporate governance.

The Pension Fund issues a statement of compliance with the UK Stewardship Code for Institutional Investors which is reviewed on an annual basis. The Stewardship Code sets out seven principles of good practice on engagement with investee companies. The compliance statement is set out in Appendix E. The Fund's equity, bond and property managers have also issued statements of compliance with the Stewardship Code.

The Fund has delegated the exercise of voting rights to its investment managers and has set out Voting Intention Guidelines which it expects the manager to follow. These guidelines are set out in annexe II of the Investment Strategy Statement (Appendix C).

Economic review

Global Economy

- According to economic data, global growth remained buoyant to the year-end. Japan continued its longest streak of growth since 1989, although initial estimates suggest growth had eased very slightly in Q4, as it had in the US and Eurozone.
- Growth remained robust into the new year, although this outlook was clouded by development of what seemed like an impending trade war between the US and China.
- Global economic momentum and inflation concerns helped to push government bond yields higher at the start of the year. Inflation concerns receded later, particularly outside the US. Long-dated gilt yields fell over the quarter, although 10-year yields rose.
- Inflation rates remained relatively stable in the major economies, although investors were briefly unsettled, by higher-than-expected US wage growth in January. Economic growth in the EU was slow for several years after the financial crisis but picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite this massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in March, inflation was still only 1.4%.
- Growth in the USA economy was volatile in 2015 and 2016 and continued in 2017. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in October to February, whilst wage inflation pressures and inflationary pressures in general have been building up.
- The Fed has been the first major western central bank to start an upswing in interest rates with six increases since the first one in December 2015, lifting the central rate to a range of 1.50-1.75% in March 2018. There could be a further two or three increases in 2018 as the Fed faces a challenging situation with GDP growth trending

upwards. The Fed also became the first major western central bank to make a start at unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

- Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing.
- GDP growth in Japan has been improving and reached an annual figure of 2.1% in quarter 4 of 2017. However, it is still struggling to get inflation up to its target rate of 2% despite the huge monetary and fiscal stimulus.

UK Economy

- The major UK landmark event of the year was the inconclusive result of the general election on 8 June 2018 but this had relatively little impact on financial markets. However, sterling did suffer a sharp devaluation against most other currencies, though it has recovered about half of that fall since then.
- Brexit negotiations have been a focus of much attention and concern during the year but so far, there has been little significant hold up to making progress. Hurdles remain before a full withdrawal agreement is reached. During the calendar year 2017, there was a major shift in expectations in financial markets of how soon Bank Rate would start rising. Market expectations that the Bank of England's Monetary Policy Committee (MPC) would be raising Bank Rate rose significantly in the autumn and for the first time in a decade, the MPC increased Bank Rate by 0.25% to 0.50% on 2 November 2017.
- GDP growth in the second half of 2017 was stronger than expected and in the new year, there was evidence that wage increases had started to rise.
  Inflation has now started to subside which will, in due course, relieve the current squeeze on consumer spending. There has also been a shift in the messages coming from the Bank of England regarding monetary policy, suggesting that rates may rise more rapidly than previously thought. UK CPI inflation fell from 3% to 2.7% in February.
- At present, the impact of recent equity market volatility and international tariff announcements on economic activity in the UK appears limited. The UK economy is continuing on its path of steady, below trend growth.
- As global indices rose strongly in January, but fell over the quarter as a whole, the strength of the pound sterling reduced returns to UK investors. Sterling's strength contributed to the underperformance of the UK market because of the significance of foreign earnings.

SCHEME ADMINISTRATION REPORT

Staff and Duties

The pension service comprises 10.4 full time equivalent (FTE) staff plus a trainee who joined the team in January 2018. The team covers both the employing and administration duties for the Local Government Pension scheme (LGPS) in the Royal Borough of Greenwich Pension fund and employer duties in respect of Greenwich employees who are members of the NHS Pension Scheme and the London Pension Fund Authority (LGPS) pension fund.

The services provided by the pension section consist of:

- Administration of the Local Government Pension Scheme (LGPS) in accordance with relevant legislation.
- Running and maintaining the Pension Payroll to ensure accurate and timely payment of monthly pensions to 6,822 pensioners and their dependants.
- Maintaining accurate records for each member of the pension scheme (including the employing authority and every admitted body that contributes to the Royal Borough of Greenwich Pension Fund).
- Provision of key employee data to the NHS and London Pension Fund Authority.
- Provision of key data to Fund's actuaries, Government and outside bodies, responding to legislative information requests
- Aiming to achieve a high standard with regards to service delivery and customer service
- Providing information to scheme members and other bodies associated with the LGPS
- Providing guidance to the Pension Fund Investment and Administration Panel on pension legislation and the options that are available
- Improving standards and efficiency and to keep costs under scrutiny
- Developing plans to increase IT efficiency and give members more options with regards to accessing details of their pension benefits and information
- Training and developing staff in respect of any changes to legislation and to meet the service requirements.

Year in Review

2017/2018 has been a challenging year for the team which has continued to meet the high demands of the service. Public awareness of pensions has increased over recent years, which in turn has increased demand for information from scheme stakeholders and the number of enquiries both in writing and by telephone received by the team. The number of new members continues to rise steadily with an increase of 9.5% over the last year. In addition to this, 8 new employers have joined the fund, including 3 new academies.

Furthermore, 2 schools transferred from the Royal Borough of Greenwich to Maritime academy. All of these factors have impacted the workload of the section, in particular data management.

Unexpected loss and absence of key senior staff have severely reduced the service the team has been able to provide since December 2017. This has not only affected the output of completed casework but has also greatly reduced the available knowledge and experience available within the team. The reduction in resources available equates to 2 full time equivalent posts. These 2 posts are now vacant and are proving difficult to fill.

A mini restructure of the team was implemented in December 2017, prior to the unexpected staff shortages. This was to help support the change in work demands and to future-proof the service. A further trainee post is vacant and will be advertised when senior support has been secured.

The requirement for additional data and information from various public bodies, changes to pensions and associated tax legislation and increased public awareness of pensions have continued to impact the team.

With effect from April 2017, the Government Actuaries Department (GAD) required fund transactional data to be split between final salary, Care Main and Care 50:50 benefits. This resulted in team members working closely with Council colleagues and software providers to make changes to pension administration, payroll and financial systems and procedures. The project was completed in a timely manner and implemented successfully. These changes however, have increased the amount of time taken to process each case.

The complexities of tapered annual allowance resulted in the need for increased support for members who had exceeded their personal tax limits. Tapering has caused a significant increase in the numbers of members becoming subject to a tax charge. In addition to providing the necessary information and options available to these members, senior staff have carried out presentations and held 1-2-1s with the individuals concerned.

The re-organisation of the Council continued with schools also seeing tightening of budget and subsequent need to make staff redundancies. The team has continued to work with HR and departments undergoing restructuring, involving the production of redundancy estimates, pension estimates and providing information and guidance to support both the employer and members affected. The team has worked very hard to achieve these within tight deadlines and allowed re-organisations to continue at a time of uncertainty.

With the earliest age that members can access their pension being 55 rather than age 60, the number of estimates and enquiries received from employers and members has continued to remain at a demanding level. The team provided 481 pension estimates in addition to redundancy payment calculations during the year.

Annual benefit statements for both active and deferred members were provided to members by the statutory deadline of 31 August 2017.

End of year information was also provided to the NHS and London Pension Fund authority to enable benefits statements to be provided to members of those schemes by the statutory deadline.

The number of cases completed per member of processing staff has dropped this year from 800 to 730. This is attributable to several factors including increased complexity and the time required to process each case, additional project work undertaken by the team and lack of senior resource since December 2017, to support less experienced members of the team.

Over the course of the year, the team received two Pension Ombudsman disputes and in both cases, the Ombudsman's decision was in the favour of the Royal Borough of Greenwich. There have also been two stage 1 appeals under the internal dispute procedure.

In addition to the regular software updates and testing on the pension system, the team was involved with the following projects during the latter part of the year:

Pension Server Move and Java Payroll
The authority undertook two major ICT projects simultaneously. These were the move to new pension servers and the move to a java platform for pensioner payroll. This involved the entire pension team carrying out in-depth user acceptance testing, parallel running, testing and reconciliation of pensioner payroll. The projects started in November 2017 and completed in the new year. The projects were successfully completed on time.

Iconnect – data interface
Iconnect went live in November 2017. Iconnect is a data interface system that enables the upload of data from payroll reports produced from the Council's in-house payroll service into the Altair pension administration system. Initially, this was used for uploading data for two large scheme employers, the Royal Borough of Greenwich and GS Plus. It was rolled out further in January 2018 to include all of the academies paid by the Council's in-house payroll team. In time, Iconnect will provide efficiencies and ensure that timely and accurate data is available throughout the year. It will reduce the amount of work at year end and speed up the cleansing of data for the provision of information for annual benefit statements. Members accessing their pension records via MSS will be able to see up to date values on their CARE pension benefits. However, this new process presents its own challenges and currently 3 full time members of the team have been working continuously to resolve initial data cleansing and loading issues.

GMP Reconciliation
The team has also commenced the Guaranteed Minimum Pension (GMP) reconciliation project, working with 3rd party providers to ensure that the fund's records can be reconciled to the records held by the Department of Work and Pensions (DWP). This project is necessary to ensure the correct payment of pensions to current and future pensioners and to ensure the Fund knows it true liabilities in respect of this. The initial stage of this project resulting in an overview of the initial data was completed in 2017/2018. This has provided the necessary information for the Council to make a decision on the

provision of the project which will continue in 2017/2018. The team will continue to work with the selected contractor to ensure the project is completed by the deadline of 31 December 2018.

Looking ahead
2018/2019 is forecast to be another busy year, with high caseloads and projects to complete within tight deadlines.

Recruitment, staff training and development is key priority for the management team to ensure the long term sustainability and performance of the service.

There will be an increased focus on data quality with the pension regulators new requirements for measuring data quality.

The team will continue to review processes and procedures to improve efficiency and performance.

Pension and Payroll Re-Tender – We have had the current pension / payroll system for 6 years and we are in the final year (plus 1 year extension period), therefore it is necessary under OJEU Regulations to retender for the pension administration and payroll system. The specification is being written and a project on procuring a new system will take place in August / September.

ACTUARIAL REPORT ON FUNDS

The fund undergoes a full actuarial valuation every three years. This determines the Fund's funding level and the employer contribution rates required to restore the fund to a 100% funding level (i.e. the Fund has enough assets to cover 100% of its liabilities). The last valuation was carried out as at 31 March 2016 and this came into effect in 2017/18.

Below is a statement from the Fund's actuary summarising the 2016 valuation. The full 2016 Actuarial Valuation report can be found on our website.

Statement by the Fund's Actuary

Introduction

The last full triennial valuation of the Royal Borough of Greenwich Pension Fund was carried out as at 31 March 2016 in accordance with 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 31 March 2017.

2016 Valuation Results

Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- The Fund as a whole had a funding level of 91% i.e. the assets were 91% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £105m.

- To cover the cost of new benefits and to also pay off the deficit over a period of 20 years, a total contribution rate of 18.2% of pensionable salaries would be needed.

- The contribution rate for each employer was set based on the annual cost of new benefits being earned plus any adjustment required to pay for their individual deficit.

Assumptions

The key assumptions used to value the benefits at 31 March 2016 are summarised below:

Assumption	31 March 2016
Discount rate	5.5% p.a.
Pension increases (CPI)	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter
Pension increases on GMP	Funds 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, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post retirement mortality assumptions adopted are the S2PA series, making allowance for CMI 2015 projected improvements and a long term rate of improvement of 1.5% p.a.
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

Further details of these assumptions can be found in the relevant actuarial valuation report.

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased slightly due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model.

Overall, we estimate that the funding position as at 31 March 2018 has improved compared with the position as at 31 March 2016 although the primary rate has also increased due to changes in market conditions.

The next formal valuation will be carried out at 31 March 2019 with new contribution rates set from 1 April 2020.

Graeme Muir FFA
Partner, Barnett Waddingham LLP

GOVERNANCE

Delegated Powers and Responsibilities

The Royal Borough of Greenwich is the Administering Authority for the Pension Fund. The Authority has delegated to the Pension Fund Investment and Administration Panel various powers and duties in respect of its administration of the fund. The Panel is the formal decision making body of the Fund. It convenes a minimum of four times a year and in 2016/17 comprised four Councillors (although one vacant position) with full voting rights. Representatives from admitted bodies and the trades unions are able to participate as members of the Panel but do not have voting rights. The general terms of reference of the Pension Fund Investment and Administration Panel are:

- To exercise all relevant functions conferred by regulations made under the Public Service Pensions Act 2013
- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund
- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.
- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.
- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.
- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.
- To receive reports as appropriate from the Pension Board

Day to day running of the Fund in respect of administering the membership through collecting contributions, paying benefits / pensions and maintaining all necessary records, is undertaken by the Director of Finance.

Further details on the delegation of functions are in the Fund's Governance Compliance Statement (Appendix E).

Panel Attendance in Municipal Year 2017/18

The table below shows the meeting attendance of Panel members and over the course of the year. The Panel formally met on seven occasions during the year.

Councillor	2017					2018	
	26-Jun	17-Jul	18-Sep	20-Nov	11-Dec	19-Feb	19-Mar
Don Austen (Chair)	✓	✓	✓	✓	✓	✓	✓
Olu Babatola	×	×	×	✓	✓	×	×
Mick Hayes	✓	×	✓	×	✓	✓	✓
Vacancy							

The Royal Borough of Greenwich Pension Board

The Royal Borough of Greenwich Pension Board met on five occasions during 2017/18. The purpose of the Board is to assist the administering authority of the Fund (the Royal Borough of Greenwich) in its role as scheme manager. The Board enhances scrutiny and governance within the Fund, helping to ensure that it complies with legislation and the law relating to pensions.

Pension Board Attendance in Municipal Year 2017/18

	2017			2018	
	10-Jul	18-Sep	11-Dec	19-Feb	19-Mar
Councillor Peter Brooks	✓	✓	✓	✓	✓
Councillor Norman Adams		×	×	×	×
Justin Jardine	✓	×	×	✓	✓
Simon Steptoe	✓	✓	✓	✓	✓

Member Training

The first Myner's Principle (see Investment Strategy Statement Appendix C) states:

"Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation

- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest."

The Fund has a Knowledge and Understanding Policy and Framework (Appendix F) which states that:
"The Royal Borough of Greenwich recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills."

In light of the above, a programme of training sessions took place in 2017/18. This was attended by Panel Members and Officers. The training was run jointly by internal officers and the fund's investment adviser, drawing on additional external expertise as appropriate. It covered such areas as legislation and governance, employer challenges, investment performance and risk management, administration and actuarial methods and practices. Further training will take place in 2018/19.

Policy and Process of Managing Conflicts of Interest

Committee members and officers directly involved with the administration of the Fund are required to declare any conflicts of interests at the commencement of all meetings. Where a conflict is considered material, the member or officer may be asked to either refrain from participating or exclude themselves from the meeting for the discussion and consideration of the agenda item.

Publication of Information

The dates of the Pension Fund Investment and Administration Panel meetings, along with meeting agendas, reports and minutes are available on the Royal Borough of Greenwich website.

Also available on the website are all reports and statements relating to the Pension Fund.

FUND ACCOUNT AND NET ASSETS STATEMENT

The Funds Accounts were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The following are derived from the audited financial statements of the Royal Borough of Greenwich Pension Fund for the year ended 31 March 2018. The complete 2017/18 pension fund financial statements can be found in Appendix G.

Fund Account as at 31 March 2018

2016/17 £000	Fund Account	Notes	2017/18 £000
	Dealings with Members, Employers and Others directly involved in the Scheme		
	Contributions Receivable:		
(33,336)	Employer Contributions	6	(33,890)
(12,304)	Member Contributions	6	(12,624)
(1,471)	Transfers in from Other Pension Funds	7	(5,975)
	Benefits:		
40,877	Pensions	8	42,066
18,440	Lump Sum & Death Benefits	8	8,273
1,447	Payments to and on account of Leavers	9	4,134
13,653	**Subtotal: Net (additions) / withdrawals from Dealings with Members**		**1,984**
3,856	Management Expenses	10	5,771
	Returns on Investment		
(10,059)	Investment Income	11	(5,488)
(190,006)	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		(43,565)
154	Taxes on Income	12a	0
(199,911)	**Net Returns on Investment**		**(49,053)**
(182,402)	**Net (increase) / decrease in the Net Assets available for Benefits during the year**		**(41,298)**

Net Asset Statement as at 31 March 2018

Net Asset Statement

2016/17 £000	Net Asset Statement	Notes	2017/18 £000
	<u>Investment assets</u>		
4	Equities	14	0
	Pooled Investment Vehicles:		
224,690	Fixed Interest	14	228,012
119,763	Property Unit Trusts	14	128,065
330,814	Unitised Insurance Policies	14	460,317
426,871	Other Unit Trusts	14	322,859
1,850	Property – Freehold	3&14	2,200
14,409*	Private Equity	14&22	9,070
102,983	Diversified Alternative	14	106,108
780	Cash Deposits	19	367
3,742	Cash Equivalents	15&19	7,226
232	Other Investment Balances	18	243
	<u>Investment Liabilities</u>		
(976)	Other Investment Balances	18	(1,097)
1,225,162	**Net Investment Assets / (Liabilities)**		**1,263,370**
	<u>Current Assets</u>		
373	Contributions Due	18	347
76	Other Current Assets	18	220
9,376	Cash Balances	19	12,355
	<u>Current Liabilities</u>		
(129)	Unpaid Benefits	18	(193)
(826)	Other Current Liabilities	18	(769)
8,870	**Net Current Assets / (Liabilities)**		**11,960**
1,234,032	**Net Assets of the Scheme available to fund Benefits at the Period End**		**1,275,330**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2018. The triennial actuarial valuation of the Fund does take into account the long term liabilities of the fund. The full valuation report can be viewed on our website.

OTHER STATEMENTS AND PUBLICATIONS

Funding Strategy Statement

The Funding Strategy Statement (FSS) details the Fund's approach to meeting its defined benefit obligation. It is reviewed in detail at least every three years in line with the triennial valuation. The review applicable to this year's account was undertaken in March 2016 and is included as Appendix H to this report.

The FSS has been developed along with the Fund's investment consultant Hymans Robertson, using data from the triennial valuation.

The FSS links to the Investment Strategy Statement, as it forms the basis for our investment strategy. It is important that a Funding Strategy Statement is produced as the Fund must take a prudent, long term view of how it will meet its defined benefit obligation, whilst maintaining stable contribution rates for employers.

Investment Strategy Statement (ISS)

Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. The Council is required to take proper advice when making decisions in connection with the investment strategy of the Fund. In addition to the expertise of the members of the Pension Fund Panel and Council officers, such advice is taken from Hymans Robertson LLP.

The Pension Fund Panel seeks to invest in accordance with the ISS, utilising any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement. Appendix C sets out the Investment Strategy Statement.

Communications Policy Statement

The Local Government Pension Scheme (Administration) Regulations 2013 require all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's policies for communicating with members, members' representatives, prospective members and employing authorities. It also aims to promote the scheme to all interested parties.

The Communications Policy Statement is reviewed at least annually. The latest statement can be found in Appendix I.

Knowledge and Understanding Policy and Framework

In 2011, CIPFA issued a Code of Practice on Public Sector Pensions - Finance Knowledge and Skills to complement the knowledge and skills requirement of the Myners Principles. This Statement has been published to demonstrate that the Fund has adopted the code of practice. The Current version can be found in Appendix F.

Statement of Compliance with UK Stewardship Code

The Financial Reporting Council (FRC) published the UK Stewardship code, setting out seven principles of good practice on engagement with investee companies, to which the FRC believes institutional investors should aspire. The aims of the code align closely with the fifth Myners' principle. The Fund's compliance with the Myners principles is detailed in the Fund's Investment Strategy Statement and this statement contributes to that compliance. The compliance statement is set out in Appendix D.

COMMUNICATIONS

Registered Address	Director of Finance Royal Borough of Greenwich The Woolwich Centre 35 Wellington Street Woolwich London SE18 6HQ
Administration Enquiries	Email: pensions@royalgreenwich.gov.uk Website: Pension Fund Administration Tel: 020 8921 4933
Investment Enquiries	Email: pension-investment@royalgreenwich.gov.uk Website: Pension Fund Investments Tel: 020 8921 6181
Complaints and Advice	The Pensions Advisory Service 11 Belgrave Road London SW1V 1RB Tel: 0300 123 1047 Website: www.pensionsadvisoryservice.org.uk
The Office of the Pensions Ombudsman	10 South Colonnade Canary Wharf E14 4PU Tel: 0800 917 4487 Website: www.pensions-ombudsman.org.uk

GLOSSARY

Active Fund Management

A style of investment management where the Fund Manager is seeking to 'add value' by outperforming the benchmark through actively buying / selling stocks / bonds.

Active Equities / Active Manager

A style of investment management where the Fund Manager is seeking to 'add value' by outperforming a benchmark index

Active Members

Fund members employed by one of the employers in the fund who are currently paying contributions into the fund.

Actuarial Assumptions / Basis

The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value. The lower the discount rate, the higher the liabilities and vice versa.

Administering Authority

The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".

Admitted Bodies

Employers which voluntarily participate in the Fund, so that their employees and ex-employees are members. There will be an Admission Agreement setting out the employer's obligations.

Arbitrage

Buying and selling the same stock either in different markets or very frequently to generate a profit through short term market inefficiencies.

Asset Allocation
An investor has to decide which type of asset to buy – ordinary shares, bonds, domestic or foreign, property – or indeed simply to hold cash. Deciding what sort of mix of assets to have is termed asset allocation.

Asset Liability Modelling

Of increasing importance in pension fund management, particularly at the larger end of the market, the structure of the fund is analysed (usually by Consulting Actuaries) to assess how the fund's assets should be invested in order to best meet the fund's liabilities, age profile of the members etc.

AVCs (Additional Voluntary Contributions)

Additional Voluntary Contributions are contributions made by a member of an Occupational Pension Scheme, to that Scheme, over and above the normal contribution level, to purchase additional retirement benefits.

Balanced

Where the asset allocation of a fund is spread (balanced) across a range of asset types.

Balanced Fund Management

Balanced Fund Management is the term used for the traditional approach to investment. It involves coming up with an appropriate balanced list of shares and securities by taking all the assets in a portfolio and balancing the various economic and stock exchange arguments against the investor's needs/appetite. A different approach, which has evolved in recent years, is to divide a portfolio into sections each of which is managed with a specific aim. This is particularly relevant to large pension fund portfolios, where sections may be allocated to fund managers with different styles – for example, one who is asked to maintain an index matched core, one to take risks in international equities, one who is very good at market timing, and so on. By dividing the portfolio in this way, aims can be much more specifically identified and maintained.

Benchmark

This is the standard against which performance of the fund measured. The most usual benchmark for a portfolio of UK shares is the FTSE All-Share Index because it includes such a large percentage of all quoted shares. Funds which may be called upon very suddenly in the near future may have to be kept largely in cash or short term gilt edged stocks and a benchmark such as the money market interest rate would be appropriate, in this instance.

Bottom-Up

Bottom-up investing is an investment approach that focuses on the analysis of individual stocks and deemphasizes the significance of economic cycles and market cycles. In bottom-up investing, the investor focuses his attention on a specific company, rather than on the industry in which that company operates or on the economy as a whole

Capital Called

This is the proportion of the overall capital demanded by a private equity manager, which was promised to it by an investor. It is also known as a draw down or a capital commitment.

Common Contribution Rate

The Fund-wide future service rate plus past service adjustment. It should be noted that this will differ from the actual contributions payable by individual employers.

Corporate Governance

The term used, following recent Government sponsored reports, to describe the policies and procedures that the company's directors employ in their conduct of the company's affairs, and their relationships with shareholders to whom they are responsible, as managers of the shareholders' interests in the company, and of its assets.

Covenant

This is the promise of a certain amount of pension at retirement by an employer of a defined benefit scheme. It represents the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Custodian

The custodian keeps a record of clients' investments and may also be responsible for trade settlements, collecting income, processing tax reclaims and providing other services.

Deferred Members

Members who have left employment, or have ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

Deficit

The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit Repair / Recovery Period

The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual past service adjustment (deficit repair contribution), and vice versa.

Derivatives

A derivative is an instrument which derives its value from value of an underlying financial instruments such as bonds, commodities, currencies, interest rates, market indexes and stocks.

Designating Employer

Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.

Discount Rate

The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit. A lower discount rate gives a higher liability value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate.

Dividends

A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. Dividends can be issued as cash payments, as shares of stock, or other property.

Emerging Markets

An emerging market economy is a nation's economy that is progressing toward becoming advanced. Emerging markets generally do not have the level of market efficiency and strict standards in accounting and securities regulation to be on par with advanced economies (such as the United States and Europe) but emerging markets will typically have a physical financial infrastructure including banks, a stock exchange and a unified currency.

Employer

An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and liabilities values for each employer are individually tracked, together with its future service rate at each valuation.

Employee Contribution Rate

The percentage of the pensionable pay of employees which the fund pays as a contribution into the Pension Fund

Employer Contribution Rate

The percentage of the salary of employees that employers pay as a contribution into the Pension Fund.

ESG

Bottom-up investing is an investment approach that focuses on the analysis of individual stocks and deemphasizes the significance of economic cycles and market cycles. In bottom-up investing, the investor focuses his attention on a specific company, rather than on the industry in which that company operates or on the economy as a whole

Frontier Market

Less advanced markets from the developing world. Frontier markets are countries with investable stock markets that are less established than those in the emerging markets.

Funding Level

The ratio of assets value to liabilities value.

Fund Manager

A professional manager of investments in a Pension Fund, Insurance Company, Unit Trust etc.

Futures

A futures contract is a legally binding agreement, generally made on the trading floor of a futures exchange, to buy or sell a particular financial instrument at a predetermined specified date and price in the future.

Future Service Rate

The actuarially calculated cost of each year's build-up of pension by the current active members, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial assumptions.

Gilt

This is a UK Government bond. It is a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest or coupon payments are made every six months throughout the term of the gilt (its holder is paid the final coupon and principal on maturity, or "index-linked" where the interest payments vary each year in line with a specified index (usually inflation - RPI). Primary purchasers of gilts are pension funds and life insurers. Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.

Guarantee / Guarantor

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

Initial Public Offering (IPO)

An initial public offering (IPO) is the first tranche of sale of stock by a private company to the public.

Index Tracking Funds (see also Passive)

Funds that are constructed to match closely the performance of a market index (e.g. FTSE All-Share Index and the FTSE World Index). This can either be achieved by full replication (buying every single index constituent) or sampling (buying a representative cross-section).

Internal Rate of Return (IRR)

This is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero. Internal rate of return is used to evaluate the attractiveness of a project or investment.

Letting Employer

An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

Liabilities

The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

LIBOR

LIBOR is a benchmark rate that some of the world's leading banks charge each other for short-term loans. It stands for London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.

LGPS

The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Longevity

The length or duration of human life

Maturity

A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Maturity Date

The forecast redemption date upon which the lender repays the investor.

Members

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

MSCI

MSCI Inc is an investment research firm that provides indices, portfolio risk and performance analytics and governance tools to institutional investors and hedge funds

Multi-Asset

A multi-asset class is a combination of asset classes (such as cash, equity or bonds) used as an investment. A multi-asset class investment would contain more than one asset class, thus creating a group or portfolio of assets. The weights and types of classes will vary according to the individual investor.

Myners' Review

In the year 2000, the UK Government commissioned a "Review of Institutional Investment in the United Kingdom". The Review was undertaken by Paul Myners and is referred to as "Myners". In response to the Myners' proposals, the Government initially issued a set of ten investment principles, which has subsequently been revised to six. Each pension fund must demonstrate how it complies with this "Myners" report and this can be found in the ISS.

Option

An option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price during a certain period of time or on a specific date.

Passive

A style of investment management where no active fund management is undertaken – investments are made in line with a designated benchmark or index.

Past Service Adjustment

The part of the employer's annual contribution which relates to past service deficit repair.

Pension Fund

An investment fund within a Pension Scheme which is intended to accumulate during an individual's working life from contributions and investment income, with the intention of providing an income in retirement from the purchase of an Annuity. There may be an option of an additional tax free cash lump sum being paid to the individual.

Pensioner Member

Members who are drawing benefits from the fund. They include former active members drawing their pension along with widows, widowers and other dependants of former active members.

Percentile

In making an analysis of the result of any activity, the figures may be set out as percentages, covering the range of 0 – 100%. Percentiles are split into 1% bands.

Pooling (Actuarial Valuations)

Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Pooling (Funds)

Pooled funds are funds from many individual investors that are aggregated for the purposes of investment, as in the case of a mutual or pension fund. Investors in pooled fund Investments, benefit from economies of scale, which allow for lower trading costs per investment, diversification and professional money management.

Portfolio

A portfolio is a grouping of financial assets such as stocks, bonds and cash equivalents, as well as their mutual, exchange-traded and closed-fund counterparts. Portfolios are held directly by investors and/or managed by financial professionals.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs. their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.

QE – Quantitative Easing

This is a process whereby Central Bank creates new money electronically, to purchase financial assets such as government bonds, thereby boosting money supply in the economy and return inflation to target.

Quartile

See Percentile - if these results are then broken down into four equal sections, they are called ‘quartiles’. The first quartile will contain the results of the top 25% of the list, the second quartile below that, then the third and the fourth quartile.

Rates and Adjustments Certificate

A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.

Risk Averse

Risk averse is a description of an investor who, when faced with two investments with a similar expected return (but different risks), will prefer the one with the lower risk.

Risk / Return

In markets which are efficient (such as the market for the larger shares on the major stock exchanges) the prices of the various shares will reflect the risks run in each case. That is, there is a trade-off between risk and return. The higher the risk, the more the return should be. Investors, when considering a particular investment, should always consider the risks involved in buying a particular security, as well as its possible returns. The risk / return trade-off should be one appropriate to the needs or risk appetite of that particular investor.

Scheduled Bodies

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

Securities

The general name for stocks, shares and bonds issued by the company to investors.

Short Selling

Short selling is the sale of a security that is not owned by the seller, or that the seller has borrowed. Short selling is motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit

Solvency

In a funding context, this usually refers to a 100% funding level, i.e. where the assets value equals the liabilities value.

SRI

Socially responsible investment, is an investment process that excludes investment in companies whose core business activities involve animal testing, pollute the environment or comprise alcohol, tobacco and weapons manufacturing or where management practices achieve profit at the expense of human rights and equality. It is otherwise termed ethical investment.

Stabilisation
Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Theoretical Contribution Rate

The employer's contribution rate, including both future service rate and past service adjustment, which would be calculated on the standard actuarial basis before any allowance for stabilisation or other agreed adjustment.

Top Down

Top-down investing is an investment approach that involves looking at the "big picture" in the economy and financial world and then breaking those components down into finer details. After looking at the big picture conditions around the world, the different industrial sectors are analysed in order to select those that are forecasted to outperform the market. From this point, the stocks of specific companies are further analysed and those that are believed to be successful are chosen as investments.

Total Value to Paid-In (TVPI) Multiple

This is also known as the investment multiple. It is calculated by dividing the fund's cumulative distributions and residual value by the paid-in capital. It gives a potential investor insight into the fund's performance by showing its total value as a multiple of its cost basis. It does not take into account the time value of money.

Uncalled Capital

This is the proportion of the overall capital that the investor has agreed to invest in the Scheme, but which has not been collected by the private equity manager.

Valuation

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years, but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Value Added

Value-added describes the enhancement a company gives its product or service before offering the product to customers. Value-added applies to instances where a firm takes a product that may be considered a homogeneous product, with few differences (if any) from that of a competitor, and provides potential customers with a feature or add-on that gives it a greater sense of value.

Value at Risk

Value at risk (VaR) is a statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. It is a model that calculates the largest possible loss that an institution or other investor could incur on a portfolio, given certain probabilities.

Volatility

This is the tendency of a share to move up and down. A very volatile security is one that has moved up or down more sharply than is normally the case in the market concerned. Volatility is very frequently used as a measure of risk on the grounds that a share which moves more sharply than others can be regarded as being much more risky. A steady share has less risk.

Weight

Weight is the percentage composition of a particular holding in a portfolio. The weights of the portfolio can simply be calculated using different approaches: the most basic type of weight is determined by dividing the dollar value of a security by the total dollar value of the portfolio. Another approach would be to divide the number of units of a given security by the total number of shares held in the portfolio.