



ROYAL BOROUGH OF GREENWICH PENSION FUND

Annual Report - 2023/24



STEWARDSHIP
CODE


ROYAL borough of
GREENWICH

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Introduction



ROYAL BOROUGH OF GREENWICH
PENSION FUND

Message on Behalf of the Pension Fund Investment and Administration Panel

I am pleased to present the Annual Report for the financial year ending 31 March 2024 on behalf of the Royal Borough of Greenwich Pension Fund. We hope that this report will provide you with valuable insight into the Fund.

Over the past year to 31 March 2024, our pension fund's investments have performed admirably, which have seen steady growth across various asset classes, including equities, fixed income, renewable infrastructure and private debt. The overall fund value increased by 6.7% compared to last year, ending the financial year on £1.69bn. We expect our fund managers to continue monitoring market trends and make necessary adjustments to our portfolio in order to optimise returns whilst effectively managing risk.

Throughout the year, the Panel met five times to review more than 26 reports related to different aspects of the pension fund. We were particularly pleased to submit our application to the Financial Reporting Council (FRC) stewardship code to become signatories. This code is widely acknowledged as the leading standard for financial market participants to showcase their stewardship credentials.

As we move through 2024/25, the Fund will continue seeking more opportunities to pool our assets into the London Collective Investment Vehicle (LCIV) to maximise savings. Currently, the fund has over £953 million invested in the LCIV, with a plan to make further investments in two new funds in late 2024/25. One of these investments will be in natural capital, which involves allocating financial resources to activities that improve and preserve the natural environment. This not only offers return potential for the fund but also aligns with specific Environmental, Social, and Governance issues and impact objectives.

As a global long-term investor, the Panel recognise that climate change presents significant long-term risks to the value and security of pension scheme investments, and capital markets more broadly, with climate opportunities and responsible investment a significant return driver.

The fund will continue its journey of responsible investment, with a specific focus on climate change risk. The investment in renewable energy has continued to increase and is now at £24.1m. The latest climate report highlighted a continuing reduction in the fund's carbon footprint, with a reduction of 38% in scope 1 & 2 between 2023 and

2024. This reduction will further decrease as the fund completes its plan to reduce carbon intensity in passive equity holding.

I would like to take this opportunity to express my gratitude to my colleagues, our advisors, employer organisations, and our officers for their commitment and support over the last year.

Importantly, I would also like to thank our members in the fund for their continuing support of the Pension Scheme.



Councillor Olu Babatola
Chair, Pension Panel

Message on Behalf of the Pension Board

Welcome to the annual message from the Local Pension Board. Our role is to support the Administering Authority in adhering to the LGPS regulations, meeting the requirements of the Pensions Regulator, and ensuring efficient and effective management of the Fund.

The Board still consists of two member representatives and two employer representatives, each with voting rights. Board members also attend meetings of the Pension Fund Investment and Administration Panel as observers, which creates a valuable link between the Board and the Panel.

In my second year as Chair of the Pension Board, our main focus has been reviewing important governance documents. This includes the Governance Compliance Statement, which outlines the delegation arrangements for decisions related to the Fund. The Board has also reviewed the Statement of Compliance with UK Stewardship code, which sets out the key principles of effective stewardship for institutional investors.

Last year, the Board met with four out of the six fund managers to discuss their approach to responsible investment, especially focusing on Environmental, Social, and Governance (ESG) issues. The Board provided feedback indicating a desire for increased engagement with companies that are not meeting their ESG obligations.

As we plan for the upcoming year, the Board will stay informed about any regulatory changes and will closely monitor the performance of the Fund, especially its administrative operations.

The Board is planning to conduct a thorough review of the Pension Fund Risk Register, which is essential for improving governance and protecting the interests of the fund members. This will involve a comprehensive assessment to thoroughly evaluate the existing risk register and identify any gaps or areas that need improvement.

As Chair, I will continue to assess areas for improvement and make sure that the Pension Fund stays aligned with best practices and encourages participation in the Fund.

The Board is satisfied that the Royal Borough of Greenwich Pension Fund has operated in compliance with statutory regulations and other legislation over the last year.

I want to express my gratitude to my colleagues for their work on the Pension Board. I also want to thank all the staff involved in managing the Royal Borough of Greenwich Pension Fund.



Councillor Nick Williams
Chair, Pension Board

Message from the Director of Finance

The Council is the Administering authority for the Royal Borough of Greenwich Pension Fund. It is responsible for effectively managing the Fund and ensuring that all contributions and investments are collected and invested according to the Fund's Investment Strategy Statement

I am pleased to inform you that the Fund has achieved positive results over the past year, increasing its value by £106m to £1.69bn for its members.

However, this growth has occurred amidst a prolonged period of higher inflation, which has negatively affected the Fund's liabilities. But I remain positive that the Fund will remain over 100% funded at the next Triannual valuation.

Last year, the Government published its response to asset pooling in the LGPS. The consultation suggests speeding up and widening the asset pooling process within the Local Government Pension Scheme.

Currently, the Fund is 56% pooled, with plans to increase the amount of Assets under management in the coming year. While it's good to have more clarity from this consultation, many questions still remain. The Fund is eagerly awaiting additional guidance expected to be released later this year.

Another important governance requirement was the introduction of a new general code of practice, which came into force on 28th March 2024. The Scheme has already formulated plans to identify

any potential gaps and to establish a plan for full compliance.

In addition to these important updates, we have maintained our focus on delivering pensions to our scheme members and assisting employers in fulfilling their obligations to the scheme. Over the past year, the total number of fund members has increased by 1% to 26,842, and we are now providing a pension service for 67 employers.

Meeting these complex needs is managed by our in-house administration team. The team restructure was implemented in October 2023. It is hoped that the revised structure will help reduce the number of vacancies and, therefore, increase productivity. Processes and procedures will continue to be reviewed to improve efficiency and performance.

The future proofing of the team is always a high priority for the pension management team, with recruitment, retention and development of staff remaining a high priority.

As we look towards 2024/25, the Fund will continue its enhanced training programme, ensuring members charged with the decision-making in respect of the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities.

The Fund intends to continue to follow government guidance to consider investing through the London CIV in the first instance for all new investments, and to work with the LCIV in developing new mandates that meet the objectives set out in our Fund's Investment Strategy Statement. Already officers are involved in two seed Investment groups, which will include two new funds for Natural Capital and Private Debt launching in late 2024.

I would like to acknowledge the commitment and professionalism of all of the staff administering the Pension Fund and for their hard work which ensures that we continue to deliver core services for the benefit of our scheme members and employers. The Fund will remain innovative, ensuring that it provides an excellent service to pension fund members and value for money for both employers and local taxpayers.

Damon Cook
Director of Finance

Independent Auditor's Report

Independent auditor's statement to the members of Royal Borough of Greenwich on the pension fund financial statements included within the Royal Borough of Greenwich pension fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2024 included within the Royal Borough of Greenwich Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including material accounting policy information.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Royal Borough of Greenwich for the year ended 31 March 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section

151 Officer is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Royal Borough of Greenwich as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statement of Royal Borough of Greenwich Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Royal Borough of Greenwich describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the members of Royal Borough of Greenwich, as a body and as administering authority for the Royal Borough of Greenwich Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and

Accountability Act 2014. Our work has been undertaken so that we might state to the members of Royal Borough of Greenwich those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Royal Borough of Greenwich and Royal Borough of Greenwich's members as a body, for our audit work, for this statement, or for the opinions we have formed.



Suresh Patel,

Key Audit Partner For and on behalf of
Forvis Mazars LLP

30 Old Bailey
London
EC4M 7AU

28 February 2025

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 2022 and showed that the Fund was 103% funded. Each underlying employer will have a different funding rate. Where there are deficits, these are spread and recovered over a maximum 20-year period from 01 April 2023. Deficits and surpluses are factored into the secondary/deficit recovery rate.

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.

Some key points about contributions and benefits:

- 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

- There is flexibility for members to pay 50% contributions, 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.
- Employees are given a facility to enhance their pension arrangements through the use of Additional Voluntary Contributions (AVCs), as a requirement of the LGPS.
- The Royal Borough of Greenwich Pension Fund uses Clerical Medical as its current AVC provider. Members funds held in accounts with our previous AVC provider (Equitable Life) were transferred to Utmost Life and Pensions during 2019/20.



Management and Financial Performance

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Fund Highlights

£1.7bn

Pension fund value
(£1.6bn 22/23)

67

Active employers
(66 22/23)

£63m

Contributions received
(£58m 22/23)

£73m

Benefits paid
(£66m 22/23)

26,842

Total members
(26,562 22/23)

103%

Funding Level (2022)
(97% 2019)

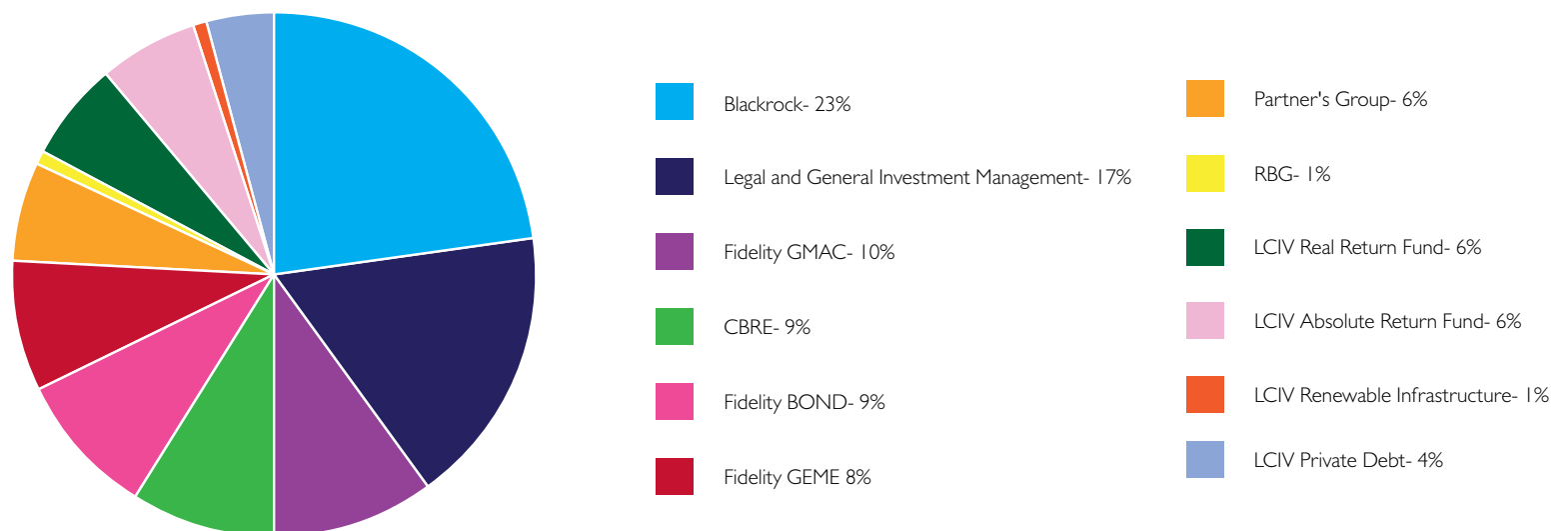
Fund Key Highlights of 2023/24:

1. On 22 July 2024 the Fund successfully became a signatory to the FRC Stewardship Code for its Stewardship report for the year ending 31 December 2023
2. The fund value increased by 6.7% in 2023/24
3. Transfer of £237.5m global equities into low carbon global equities
4. Benefits continued to outweigh contributions, causing a negative net cashflow position. The Fund continues to work alongside its investment advisors to manage this via utilisation of its assets.

Fund Performance



Breakdown of Scheme assets by manager as at 31 March 2024



Scheme management and advisors

Administering Authority

Royal Borough of Greenwich

The Woolwich Centre, 35 Wellington St, London, SE18 6HQ

Officers

Damon Cook Director of Finance

Panel Member

Cllr Olu Babatola Chair of the Pension Fund Investment and Administration Panel

Cllr Jo van den Broek

Cllr Aidan Smith

Cllr David Gardner

Panel Observers

Unite

GMB

Unison

Board Member

Cllr Nick Williams Employer Representative and Chair of Pension Board

Cllr Issy Cooke Employer Representative

Simon Steptoe Member Representative

Alastair Kidd Member Representative

Actuary

Barnett Waddingham

2 London Wall Place, 123 London Wall, London, EC2Y 5AU

Investment Consultant

Hymans Robertson

1 London Wall, Barbican, London EC2Y 5EA

Legal Advisor

Freeths LLP

10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Investment Managers

BlackRock Advisors (UK) Limited

12 Throgmorton Avenue, London, EC2N 2DL

Fidelity

4 Cannon Street, London, EC4M 5AB

Legal and General Investment Management

1 Coleman Street, London, EC2R 5AA

CBRE Global Investment Partners LTD

3rd Floor, One New Change, London, EC4M 9AF

Wilshire Associates

Landmark, 1 Giltspur Street, London EC1A 9DD

Partners Group (Guernsey) Limited

14th Floor, 110 Bishopgate, London, EC2N 4AY

AVC Providers

Clerical Medical

25 Gresham Street, London, EC2V 7HN

Utmost Life and Pensions

Walton Street, Aylesbury, Bucks, HP21 7QW

Custodian

Nothern Trust

50 Bank Street, London, E14 5NT

External Auditor

Forvis Mazars

30 Old Bailey, London EC4M 7AU

Bankers to the Fund

Natwest

135 Bishopsgate, London EC2M 3UR

Asset Pool Operator - (including investment manager for 4 funds)

London CIV

4th Floor, 22 Lavington Street, London, SE1 0NZ

RISK MANAGEMENT

Risk Management within the Governance Structure

Risk management is integrated into the governance structure of the Fund. Officers operate within the financial procedures and control environment of the Administering Authority which are regularly audited by internal and external audit. Overall oversight of risk management falls to the Panel which is responsible for the prudent and effective stewardship of the Royal Borough of Greenwich Pension Fund.

The risk management process involves:

- Risk identification
- Risk analysis
- Risk control
- Monitoring risk

Both the Local Pension Board and Panel receive information on risk via various forms including (but not limited to):

- Review of the Funds key policies and procedures which incorporate risk.
- Regular review of the Funds Risk Register

- Review of quarterly investment and manager performance (which provides insight on market trends and potential risk areas).
- Training

The Risk Register

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 following table shows categories of risk that are identified by the risk register:

Key Risks
Administrative risk
Compliance/regulatory risk
Employer risk
Investment risk
Liability (and other) risk
Reputational risk
Skill risk

Within each category a series of risks are identified and upon each review an update of the status and any changes in relevant controls are made. Each risk is assigned an 'owner' - a responsible officer who reviews and updates the risk details at least annually. The Director of Finance has responsibility to keep the risk register under review. The register is reviewed by Panel annually and split into four sections which are reviewed by Board each quarter on a rolling basis. The Funds current risk register can be found in Appendix A.

How Risks Are Identified, Managed and Reviewed

A scoring matrix is used to identify and assess risks. The scoring matrix (Appendix B 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, the risk is reassessed, and a second score applied considering 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.

Mitigating Risk

Detailed controls to mitigate risk are specified in the Funds risk register. However, the following table contains examples of the controls in place to mitigate key risks across investment, governance, and administration:

Area	Risk	Controls
Administration	Failure to collect or inaccurate record-keeping leading to potential loss of income and liquidity.	<ul style="list-style-type: none"> Employers monitored against requirements of relevant legislation. Employers monitored against requirements of Fund KPIs. Overdue contributions actively chased from employers Persistent, significant or negligent failure reported to the Pensions Regulator Cashflow forecast monitored.
	Data Protection (GDPR) Data is lost or misused leading to service disruption and / or breach of Data Protection legislation.	<ul style="list-style-type: none"> Data is backed up on a daily basis in a secure manner for 30 days. Files containing member information are encrypted/ password protected prior to transmission. Staff are trained on the data they can and cannot provide. Use of secure email portals.
	Incorrect calculations leading to payment errors.	<ul style="list-style-type: none"> The auditor reviews the peer review process. Benefit calculations are double checked before they come into payment with appropriate sign off levels in place. For any changes to pension entitlements under legislations or guidance or changes to the pension system calculations a test environment is used for user acceptance testing before going live, to ensure payment calculations are correct. Staff are trained and updated checklists provided. Rec done quarterly

Area	Risk	Controls
Governance	Conflicts of Interest Failure to recognise conflicts of interests that are likely to prejudice an individual's ability to perform their role on either the Panel or LPB.	<ul style="list-style-type: none"> • Conflicts policy. • Members Code of Conduct. • Registers of personal and financial interests. • Governance training. • Member declarations formally recorded at each Panel meeting and as part of the published accounts. • Material Related Party Transactions published in accounts.
	Provision of Information Failure to administer scheme appropriately leading to incorrect decisions being made by members and the Fund that could adversely financially affect various stakeholders.	<ul style="list-style-type: none"> • Specific post with responsibility for technical updates. • Receiving appropriate training in all current and new technical areas. • Various members of staff including the Head of Pensions and Pensions Operations Manager attend seminars, training sessions, receive updates from professional advisors and circulations from the regulatory bodies. • The Assistant Director of Financial Operations is the secretary of the JPG technical sub group.
	Succession Planning Failure to plan for turnover in Panel / Board members leading to vacant posts on panel and/ or shortfall in knowledge and skills of Panel/ Board members	<ul style="list-style-type: none"> • Awareness of known future events with potential to impact on Panel membership e.g. local elections. • Rolling training programme for Panel Members including induction for new Members. • Induction training process for new members.

Area	Risk	Controls
Investments	<p>Manager Performance</p> <p>Fund manager underperforms benchmark.</p>	<ul style="list-style-type: none"> • Manager selection and monitoring. • Appropriate benchmarks. • Quarterly monitoring reports are made to Panel and action undertaken in respect of poorly performing managers. • Manager performances have been in line with their respective benchmarks in the medium term.
	<p>Asset / Liability mismatch</p> <p>Asset mix insufficient to generate funds to meet liabilities resulting in lower funding level, inappropriate deficit recovery period and increased employer contributions.</p>	<ul style="list-style-type: none"> • Asset/Liability studies held. Modelling of various contribution rates and investment strategies and their implications assessed. • Fund holds a diversified portfolio of investments with a suitable strategic asset allocation benchmark for the Fund, which sets an appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk. • Consideration is also given to diversification across asset types, geographies, and managers. • Diversification. • Frequent monitoring.
	<p>Illiquidity</p> <p>Assets sold at depressed valuation / investment opportunity missed.</p> <p>Inability to realise investments to pay benefits.</p>	<ul style="list-style-type: none"> • Property and Private Equity represent a relatively small part of the portfolio. • The Fund is now cashflow negative. This is monitored weekly and forecast for two years. • Strategic asset allocation to make sure there is sufficient investment income being return to the Fund to meet benefits payment. • Regular review
	<p>Pooling</p> <p>London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers</p>	<ul style="list-style-type: none"> • Attendance to regular business updates by officers. • Regular meetings with LCIV to discuss workloads. • Regular review of key LCIV documents/reports. • Manager performance included in quarterly performance report to Panel and Board.

Cyber Security

Following review of the risk register at its September 2023 meeting, the Pension Board requested to receive a presentation from the Infrastructure Manager of the Digital and Customer Services Department at their December 2023 meeting to further understand the risks to the Fund in relation to the complex area of cyber security.

Collaboration

The Fund recognises that partnership is a vital tool to understand and reduce risks. Collaboration with other counterparties provides valuable information to help identify potential risks and share insight as to how to mitigate these risks. Throughout the year the Fund has continued to engage with various counterparties including other LGPS colleagues, its investment advisors, actuary, and investment managers and through its membership of the Local Authority Pension Fund Forum (LAPFF). Throughout 2023/24 officers have attended business updates alongside the mid-year and annual conferences of the LAPFF to keep abreast of the work undertaken by the forum.

Training

Panel, Board, and officers receive regular training on various topics which incorporate risk. In December 2023 both Panel and Board received training on Investment Performance Measurement and Risk Management in line with the CIPFA Knowledge and Skills Framework. This was provided by the Funds Investment Advisors, Hymans Robertson.

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.

Officers analyse and reconcile 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.

The table below shows the CIPFA prescribed frequency of internal audit testing of the Pension Fund, and testing carried out during 23/24 as part of internal audit testing of the Fund.

INTERNAL AUDIT TESTING			
Operational Risk Area	CIPFA prescribed frequency	Testing conducted 23/24	Level of control assurance
Benefit payments and lump sums	Annual testing	Yes	Moderate
Employee contributions	Annual testing	Yes	High
Employer contributions	Annual testing	Yes	High
Membership records	Annual testing	Yes	Moderate
Administration and Governance costs	Every 5 years	No*	
Investment management costs	Every 3 years	Yes	High

*Due 27/28

Fund Manager	Type of Report	Assurance Obtained	Reporting Accountant
Blackrock	SSAE 18/ISAE3402	Reasonable Assurance	Deloitte & Touche LLP
CBRE	AAF01/20 and ISAE 3402	Reasonable Assurance	KPMG
Fidelity	AAF01/20 and ISAE 3402	Reasonable Assurance	PWC
Partners Group	ISAE 3402	Reasonable Assurance	PWC
Northern Trust	SSAE 18/ISAE 3402/ SOC I	Reasonable Assurance	KPMG
LGIM	AAF 01/20 and ISAE 3402	Reasonable Assurance	KPMG
Wilshire	SOC I	Reasonable Assurance	EY

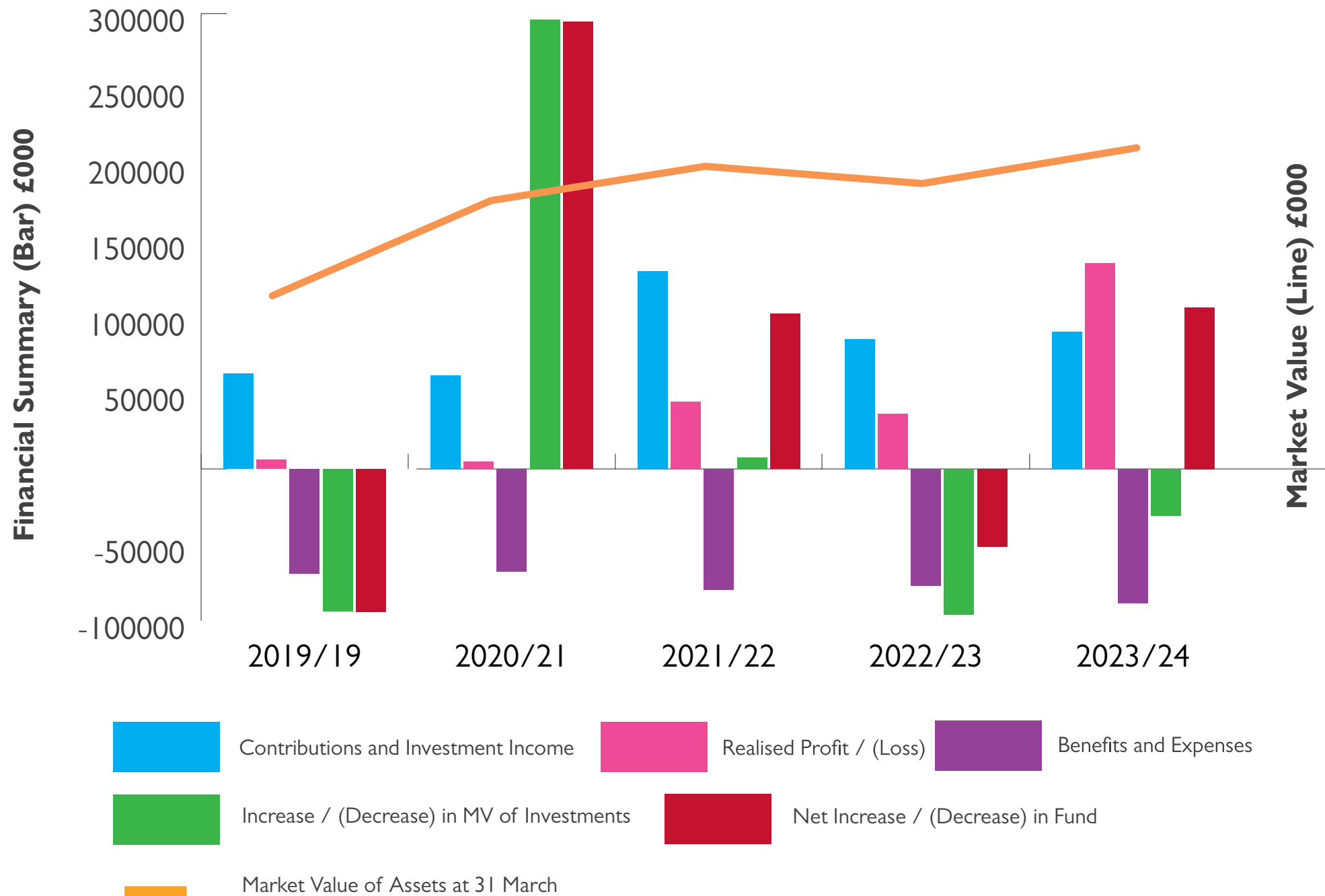
The Fund has been advised by the London CIV that they do not produce an internal control assurance report as all investment activity is outsourced.

FINANCIAL PERFORMANCE

Below is a five-year financial summary of the Fund. The Fund fell in value by £94.1m in 2019/20 mainly due to Covid-19. The Fund recovered well in 20/21. The pace of growth slowed in 21/22, however, the Fund value was still up by 6.7%, growing by £102m. During 22/23, the Fund fell in value by 3.12% due to market conditions. The Fund increased in value by 6.72% in 23/24. Comparisons between the year on year change in market value of the Fund, FTSE 100 and MSCI WORLD GD indexes are shown below. 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	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Contributions and Investment Income	62,903	61,486	130,104	85,534	90,103
Realised Profit / (Loss)	5,939	4,673	44,165	36,092	135,559
Benefits and Expenses	-69,000	-67,426	-79,536	-76,925	-88,442
Net Annual Surplus / (Deficit)	-158	-1,267	94,733	44,701	137,220
Increase / (Decrease) in MV of Investments	-93,900	295,834	7,604	-95,751	-30,835
Net Increase / (Decrease) in Fund	-94,058	294,567	102,337	-51,050	106,385
Market Value of Assets at 31 March	1,238,411	1,532,978	1,635,315	1,584,265	1,690,650
Change in Greenwich Fund Market Value	-7.10%	23.79%	6.68%	-3.12%	6.72%
Change in FTSE 100	-22.08%	18.37%	11.95%	1.54%	4.20%
MCSI WORLD GD	-5.29%	39.09%	15.90%	-0.48%	23.05%



Budgeted Fund Account

The Fund cash flow estimate for 2024/25 summarises a number of trends. Namely, increasing pension payments to members with regards to inflation and new pensioners.

Expenditure for 2023/24 was higher than forecast due to increase in transfers out and refunds. Overall income was less than forecast, mainly due to investment income. However Employers contributions were higher than forecast.

Increases from 2022/23 actuals to 2023/24 actuals were expected due to inflation, Increase in Fund value and increased contributions as a result of salary increases.

Budgeted Fund Account- Fund Cashflow	2022/23	2023/24	2023/24	2024/25
	Actuals	Budgeted	Actuals	Budgeted
	£m	£m	£m	£m
Pension(or annuities): retired employees and dependents	-52	-57	-58	-59
Lump sums on retirement (including deferred)	-12	-13	-13	-14
Lump sums on death	-2	-2	-2	-2
Administration and fund management costs of the Fund	-6	-8	-6	-8
Payments to leavers including transfers out and refunds	-5	-5	-10	-8
Total expenditure	-77	-85	-89	-91
Contributions (including those from other employing authorities): employees	16	17	17	18
Contributions (including those from other employing authorities): employers	42	43	46	48
Investment income	21	40	23	25
Transfer values including apportionments	6	5	4	7
Total income	85	105	90	98
Net inflow/ (outflow)	8	20	1	7

The table below shows summary of total employer contributions made in the financial year, and the timing.

Number of Contributions	Number of Late Payments	Percentage Late
815	43	5.28%

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

Classification	Administering	Admitted	Schedule	Total
	£000	£000	£000	£000
Employers	35,850	2,279	7,826	45,955
Employees	13,388	1,004	2,569	16,961
Total	49,238	3,283	10,395	62,916

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 interest to be levied on contributions that are not paid on time.

This power was not exercised during 2023/24.

The table below shows the summary of information about the level of contributions as a percentage of pensionable pay.

Contribution level	
Pensionable Pay	£247,186,709
Employee Contributions	£16,961,176
Percentage	6.86%

Overpayments

In 2023/24, we raised 38 invoices for overpayments of pension totalling £64,717.13, of which £56,230.79 was recovered. In 2023/24 the Fund wrote off 2 invoices totalling £585.40 in relation to overpayment of pensions, which related to the 2018/2019 and 2019/2020 financial years. There are 25 invoices from previous years in relation to overpayments, which are outstanding – these total £38,023.00.

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Investment management expenses fell in 2023/24, this was largely due to the costs associated with investment manager performance.

Administration costs increased in 2023/2024 as central and registration charges increased.

Administration and Investment Management Costs	2022/23 Actual £000	2023/24 Actual £000	2024/25 Forecast £000
Administration			
- Central costs	980	1,148	1,345
- Other	10	11	12
Total Administration	990	1,159	1,357
Total Oversight & Governance	171	212	263
Total Investment Management	4,554	4,396	4,748
Total Costs Charged to the Fund	5,715	5,767	6,368

The pension service comprises 7.4 members of staff covering both the employing and administration duties. This equates to 3,627 members of the Fund to each full time equivalent post compared to 4,150 in 2022/23.

Membership Summary

The table and graph alongside show a summary of membership numbers over the last five years. The number of active members has decreased by 1% over the last 5 years overall, with pensioners increasing by 16% and deferred members decreasing by 1% over the same period.

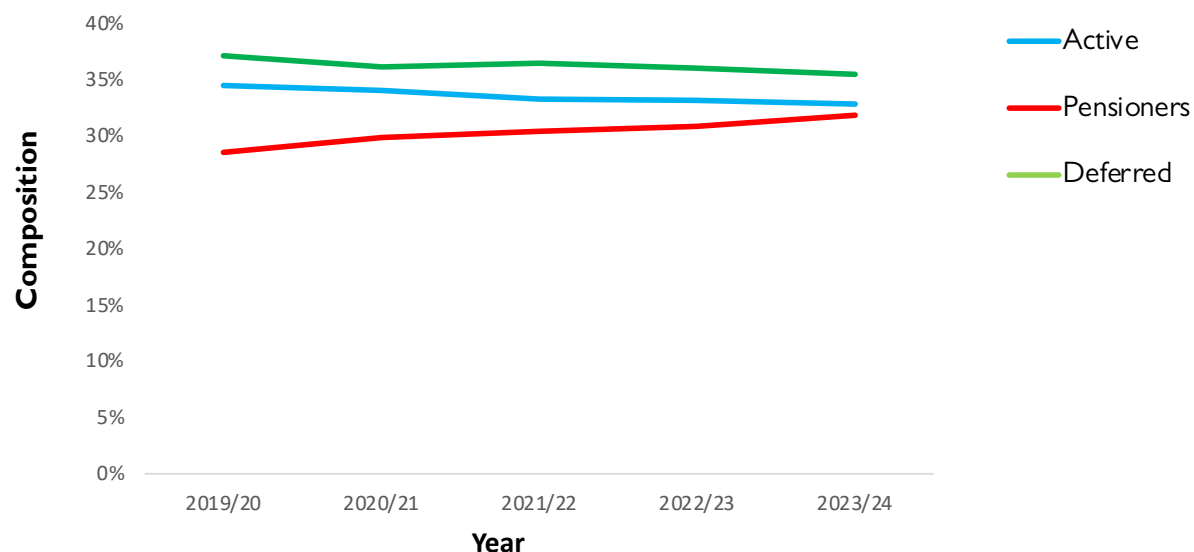
Membership	2019/20	2020/21	2021/22	2022/23	2023/24	Movement over 5 Yrs
Active	8,865	8,676	8,604	8,808	8,789	-1%
Pensioners	7,341	7,602	7,856	8,194	8,538	16%
Deferred	9,572	9,204	9,433	9,560	9,515	-1%
Total	25,778	25,482	25,893	26,562	26,842	4%

Deferred figures include leavers who had not taken a decision on their retirement benefit options

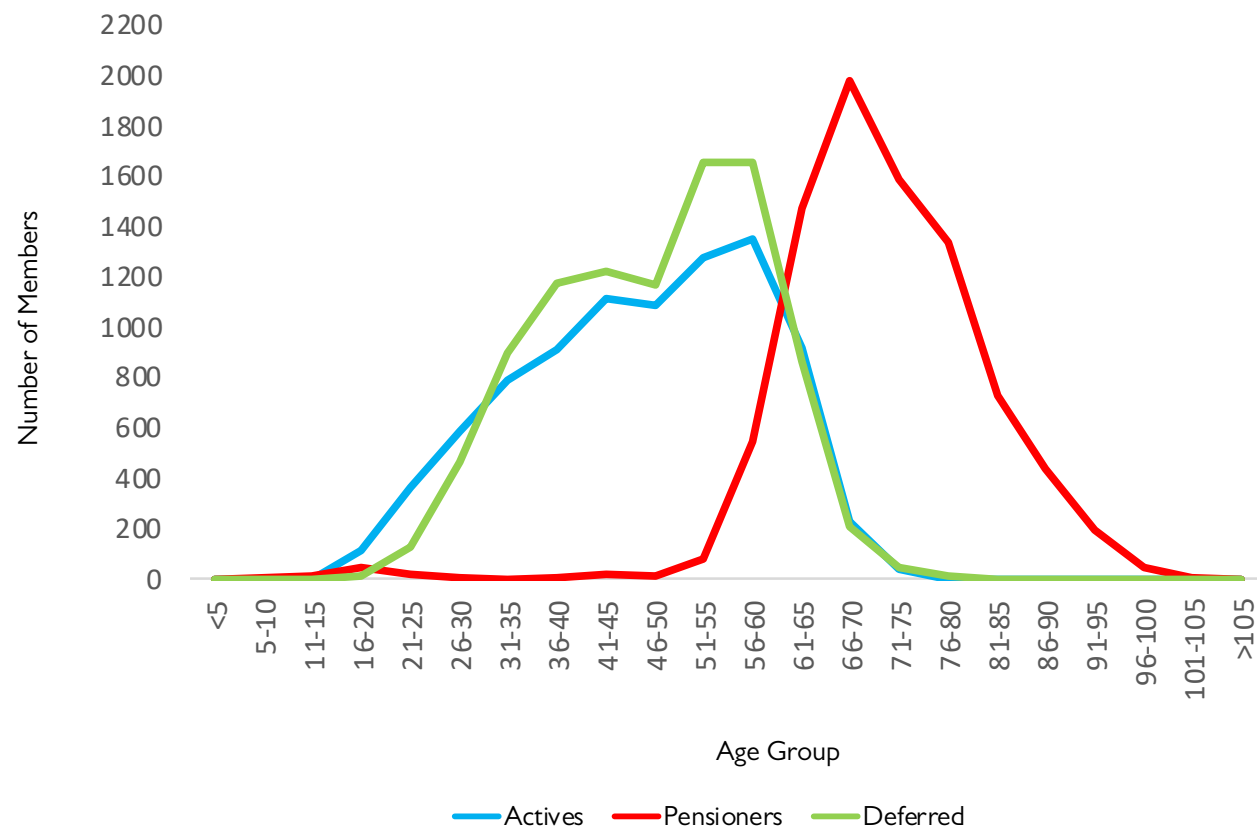
Change in Composition of Membership Numbers over 5 Years:

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 34% in 2019/20 to 33% in 2023/24. The proportion of deferred members reduced slightly from 36% in 2022/23 to 35% in 2023/24, while the proportion of pensioners increased from 31% in 2022/23 to 32% in 2023/24.

The average age of an active pension fund member is 46. The average for pensioner members is 71, with the oldest being 101. The graph opposite is a depiction of the profile of the Fund's membership.



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 (71%). For 2023/24, 70 employers actively contributed to the fund. This includes the Administering Authority and the following Scheduled and Admitted bodies (all figures are in GBP):

Administering					
	Employers	Employees			
Royal Borough of Greenwich	35,850,021	13,388,483			
Scheduled			Admitted		
Contribution Values			Contribution Values		
	Employers	Employees		Employers	Employees
Charlton Park Academy	351,620	111,184	Avante	23,389	7,956
Compass	1,845,098	580,691	Birkin Cleaning Services	3,060	888
Corelli college	238,955	71,370	Brayborne Facilities Services	18,646	5,543
Crown Woods - Stationers	298,987	97,634	CACT Livewell	15,596	5,350
Eltham (Harris) Academy	245,829	80,136	Cater Link	66,281	20,837
Eltham Crematorium	35,639	13,168	Caterlink (John Roan Contract)	38,901	5,800
Endeavour Partnership Trust	359,084	114,426	Charlton Athletic Community Trust	29,152	11,766
Greenwich Free School	101,837	35,689	Chartwell (Charlton Park)	4,973	1,559
Greenwich Service Plus	559,796	202,749	Chartwell (LEA Framework)	174,586	52,744
Inspire	540,531	189,630	Compass (Compass)	26,531	8,013
Leigh Academy Blackheath	155,051	49,449	Compass (IPT Foxfield)	5,206	1,607
Maritime	551,090	185,198	Compass (Wingfield Contract)	8,625	2,680
Shooters Hill	631,680	217,794	Cucina (Halley)	29,167	6,775
St Paul's Academy	358,002	114,258	First Step Trust	33,191	17,762
St Thomas More	206,241	65,934	G4S	6,950	2,179
The Greenwich Catholic School Trust (St Mary's)	178,950	59,280	GLL Children's Centre East	51,296	19,381
ULT - John Roan	243,325	71,189	Gil Childrens Centre South	48,036	20,511

Scheduled			Admitted		
Contribution Values			Contribution Values		
	Employers	Employees		Employers	Employees
UTC	163,908	54,527	GLL Libraries	167,477	62,807
Woolwich Polytechnic Academy	760,672	254,749	GLL Play Centre	7,312	2,730
			Glyndon Community Centre	22,057	7,051
			Greenwich Citizen Advocacy Project	21,245	7,517
			Greenwich Co-operative Development Agency	7,404	2,602
			Greenwich Leisure Ltd	1,170,753	622,719
			Greenwich Mencap	1,497	445
			Greenwich West Community & Arts Centre	10,250	4,710
			Heritage Trust	17,459	7,954
			Homestart	90,416	36,235
			KGB Cleaning South West Ltd	8,910	2,649
			Kindred (Polymat)	7,365	1,950
			May Harris - Hawksmoor	5,900	1,754
			May Harris (Cardwell Contract)	3,725	1,107
			May Harris (Eglington Contract)	411	122
			Nourish Catering	4,377	1,352
			Oxleas NHS Trust	4,040	1,267
			Pacific (Our Lady of Grace Contract)	425	101
			Pacific Support Services	3,604	770
			Quaggy Development Trust Children's Centre	13,074	5,598
			Sanctuary Care Ltd	30,123	9,724
			Sherington	3,752	1,115

Scheduled		Admitted	
Contribution Values		Contribution Values	
Employers	Employees	Employers	Employees
	Simba Housing Association	19,595	6,894
	St Mary's (Eltham) Community Complex Association	30,399	10,116
	Taylor Shaw	1,196	351
	Taylor Shaw (John Roan Contract)	8,795	2,862
	Taylor Shaw (Our Lady of Grace)	4,927	1,524
	Taylor Shaw (St Peter's)	1,798	534
	Taylor Shaw (St Thomas A Beckett)	6,315	1,943
	Taylor Shaw Nightingale	1,952	620
	Thomas Coram Foundation	2,826	883
	Westgate Cleaning Services	2,612	776
	Wilson Jones Catering Ltd	13,670	3,508

To the right is a summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled Body	20	4	24
Admitted Body	46	26	72
Admin	1	0	1
Total	67	30	97



Investment Policy and Performance

ROYAL BOROUGH OF GREENWICH
PENSION FUND

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 2023/24 the Panel comprised four Councillors from the Royal Borough of Greenwich, 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 fees.
- 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.

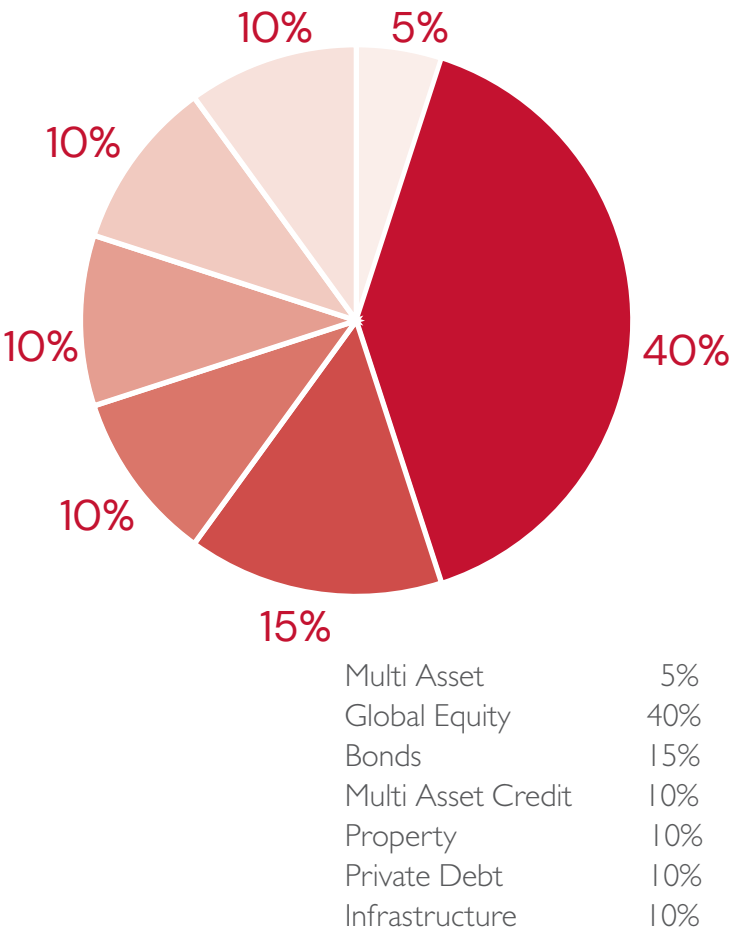
The Fund may also make use of derivative type investments either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

Below is a list of bodies that the Pension Fund is a member;

- Local Authority Pension Fund Forum (LAPFF)
- London Pension Fund Forum (LPFF).
- Pensions & Investment Research Consultants Ltd (PIRC)
- London Collective Investment Vehicle (LCIV).

Benchmark Asset Allocation

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:



Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to organisations goals, risk tolerance and investment horizon. Each asset class will behave differently over time, reducing the impact of poor performing assets on the Fund as a whole. Fund managers are set risk parameters to provide them with some flexibility in achieving the asset allocation to allow them to 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 2024 to the benchmark, the level of pooled assets as at 31 March 2024 and the value of UK investments as at 31 March 2024.

	Value	Actual Allocation	Target Allocation
Asset Class Breakdown	31-Mar-24	2023/24	2023/24
	£m	%	%
Equities	805	46	40
Bonds	153	9	15
Multi Asset Credit	166	10	10
Property	139	9	10
Private Equity	1	0	0
Diversified Alternative	102	7	0
Cash and Cash Equivalents	33	2	0
Multi Asset Strategy	199	12	5
Infrastructure	24	1	10
Private Debt	68	4	10
Total Scheme	1,691	100	100

Over the year, the scheme assets increased by £106m. The asset allocation is broadly in line with the benchmarks set in the latest investment strategy statement. The Fund continues to monitor asset allocations and re-balances where necessary. The Fund also continues to explore pooling its assets.

The following table shows the level of pooled assets as at 31 March 2024. The Fund is in active conversations with its pooling operator, the London CIV, regarding further opportunities to pool its assets. This includes further investment in Private Debt and potential investment in a new asset class, Natural Capital.

The Fund will continue to work with the London CIV to enable the Fund to access appropriate investment solutions offered by London CIV which meet its objectives as per its latest Investment Strategy Statement (appendix E). This will further increase the percentage of pooled assets in the Fund.

Asset Values as at 31 March 2024	Pooled	Under Pooled Management*	Not Pooled	Total
	£m	£m	£m	£m
Equities	0	664	138	802
Bonds	0	0	320	320
Property	0	0	139	139
Hedge funds	0	0	0	0
Diversified Growth Funds (including multi-asset funds)	199	0	103	302
Private equity	0	0	1	1
Private debt	68	0	0	68
Infrastructure	24	0	0	24
Derivatives	0	0	0	0
Cash and net current assets	0	0	35	35
Other	0	0	0	0
Total	291	664	736	1,691

*The passive equity funds held with Blackrock and LGIM are included as “under pool management” on the framework agreed with London CIV partner funds in 2017 following a fee negotiation with LGIM and Blackrock. London CIV also includes passive fund holdings in the Climate Analytics reporting made available to all partner funds at nil charge across all investments whether pooled, under pool management or not pooled. In addition, a programme is in hand to extend London CIV’s due diligence service to facilitate period reviews of LGIM and Blackrock in respect of their passive offerings.

Asset Values as at 31 March 2024	Pooled	Under Pooled Management*	Not Pooled	Total
	£m	£m	£m	£m
UK Listed Equities	17.9	214.7	0.0	232.7
UK Government Bonds	38.8	0.0	76.2	115.0
UK Infrastructure	9.7	0.0	0.1	9.8
UK Private Equity	0.0	0.0	8.2	8.2

*The passive equity funds held with Blackrock and LGIM are included as “under pool management” on the framework agreed with London CIV partner funds in 2017 following a fee negotiation with LGIM and Blackrock. London CIV also includes passive fund holdings in the Climate Analytics reporting made available to all partner funds at nil charge across all investments whether pooled, under pool management or not pooled. In addition, a programme is in hand to extend London CIV’s due diligence service to facilitate period reviews of LGIM and Blackrock in respect of their passive offerings

The following investment managers have managed mandates during the year:

Investment Managers 2023/24	
Passive Equity	Blackrock
Passive Equity	LGIM
UK Aggregate Bonds	Fidelity
Global Emerging Market Equity	Fidelity
Multi Asset Credit	Fidelity
Multi Asset	London CIV
Property	CBRE
Diversified Alternatives	Partners Group
Private Equity	Wilshire
Diversified Alternatives	Partners Group
Renewable Infrastructure	London CIV
Private Debt	London CIV

Pool Reporting

The table below shows pool setup and on-going costs paid to London Collective Investments Vehicle (LCIV). This includes three charging mechanisms.

1. Development funding charge (DFC), introduced to cover the cash flow imbalance between annual revenues and annual costs, until the LCIV generates sufficient management fee income to cover annual operating costs.
2. Annual service charge, the £25,000 annual service charge is akin to a membership fee providing access to the breadth of LCIV services.

The charge is invoiced at the start of each financial year.

3. LCIV management fees. The Fund has over £660m in passive equities, which sits outside of the ACS vehicle operated by the LCIV. The investment is merely under oversight by the LCIV, and as such, they charge the fund fees based on these holdings. The fund also pays management fees for those funds directly managed by LCIV.

Year	Gross Fee Savings	LCIV Management Fees	Development Funding Charge	Annual Service Charge	Net Saving/ (Cost)
£000	£000	£000	£000	£000	£000
2023/24	454	-92	-76	-25	261
2022/23	680	-141	-85	-25	429
2021/22	451	-75	-85	-25	266
2020/21	62	-30	-85	-25	-78
2019/20	61	-30	-65	-25	-59
2018/19	55	-29	-65	-25	-64
2017/18	49	-27	-75	-25	-78
2016/17	11	-6		-25	-20
2015/16	0			-25	-25
Total to Date	1,823	-430	-536	-225	632

The fee savings and management fees for 2023/24 exclude the Funds investments in the LCIV Renewable Infrastructure and Private Debt Funds, as fee savings figures are not yet available.

The Fund is a shareholder in the LCIV and holds £150k worth of regulatory capital, which was provided in 2015/16.

Breakdown of Scheme Assets by Manager as at 31 March 2024

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

Fund Values	2022/23 Market Value (£m)	Weight (%)	2023/24 Market Value (£m)	Weight (%)	Benchmark/Target
Pooled into the LCIV					
Blackrock - Passive Global Equities	607	38	385	23	Composite Benchmark
LGIM	0	0	282	17	Solactive L&G ESG Global Markets Net
London CIV Absolute Return	104	7	98	6	SONIA (30 day compounded) +3% (from 1 January 2022, previously 1m LIBOR +3%)
London CIV Real Return	93	6	101	6	SONIA (30 day compounded) + 3% (from 1 October 2021, previously 1m LIBOR +3%)
London CIV Private Debt	59	4	68	4	IRR (net of any fees) of 6 - 8% for the life of the Fund.
London CIV Renewable Infrastructure	19	1	24	1	IRR (net of fees) of 7 - 10%, with a target yield 3 - 5% per annum.
Yet to be pooled into the LCIV					
Fidelity BOND	147	9	153	9	50% iBoxx Sterling Non Gilt Index + 50% iBoxx Sterling Gilts Index
Fidelity GMAC	155	10	167	10	Attractive Risk Adjusted Return
Fidelity GEME	127	8	137	8	MSCI Emerging Markets Index (Net United Kingdom tax)

Fund Values	2022/23 Market Value (£m)	Weight (%)	2023/24 Market Value (£m)	Weight (%)	Benchmark/Target
Yet to be pooled into the LCIV					
CBRE - Property	150	9	147	9	MSCI/AREF UK QPFI All Balanced Property Fund Index +0.4% per annum (including cash and net of fees) over rolling three-year periods.
Royal Borough of Greenwich	15	1	26	1	
Partner's Group	107	7	102	6	Absolute Return of 7-11% p.a.
Private Equity: Wilshire	1	0	1	0	
Total	1,584	100	1,691	100	

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, three-year, and five-year performance of the Fund's managers.

Performance to 31 March 2024				1 year (%)			3 years (% p.a.)			5 years (% p.a.)		
	Asset Class	Active/ Passive	Pooled?	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
BlackRock	Passive Global Equities	Passive	✓	13.5	13.4	0.1	9.5	9.3	0.2	9.6	9.2	0.4
CBRE	Property	Active		-2.5	-2.3	-0.2	0.7	1.1	-0.3	0	0.2	-0.2
Fidelity – BOND	Bonds	Active		4.4	2.6	1.8	-4.7	-5.6	1	-1.2	-2.2	1
Fidelity - GMAC	Bonds	Active		7.4	3	4.3	0.3	3	-2.7	2.2	3	-0.8
Fidelity - GEME	Equities	Active		8.5	5.6	2.7	-6.4	-2.4	-4.1	3.1	2.6	0.5
LGIM-Future World Global Equity	Equities	Passive	✓									
London CIV Absolute Return	Multi Asset	Active	✓	-6	8.3	-13.2						
London CIV Real Return	Multi Asset	Active	✓	7.9	8.3	-0.3						
London CIV Private Debt	Private Debt	Active	✓	7.4	6	1.3						
London CIV Renewable Infrastructure	Infrastructure	Active	✓	-2.4	7	-8.8						
Partners Group	Diversified Alternative	Active		0.2	7	-6.4	4.7	7	-2.2	6.8	7	-0.2

*Relative Performance is based on the geometric method

*The Fund invested with LGIM in June 2024 and so 1 year performance data is not yet available.

Overall, the Fund's assets performed above benchmark over 1 year but below benchmark over 3 and 5 years.

Blackrock

The underlying funds in the portfolio have generally outperformed relative to their benchmarks over the period. These funds are ISHARES UK Equity Index Fund and the Aquila Life Global 3000 index fund. The iShares UK Equity Index Fund (UK) delivered broadly in line with benchmark with a relative performance of 0.05%. Aquila Life funds tend to outperform their benchmark indices due to tax advantages as seen in the Aquila Life 3000 fund's outperformance of 0.78%.

LGIM

The Future World Global Equity Index Fund returned 9.32% Vs a benchmark return of 9.28%. Over the past year, the focus has shifted from rising inflation and tighter monetary policies to anticipating when developed-market central banks will start cutting interest rates. The Bank of England initiated monetary tightening in late 2021, leading to consistent rate hikes. However, central banks now indicate that rates may soon decrease. In March, the Swiss National Bank became the first G10 bank to cut rates, with the US Federal Reserve, Bank of England, and European Central Bank expected to follow in 2024. Global equities performed strongly, driven by US markets, particularly technology, communication services, consumer discretionary and financial sectors. UK equities rose but underperformed the global average, while European equities gained but also lagged the global average. In Asia Pacific ex Japan, markets grew but underperformed global equities, with China

struggling despite support measures, while India saw significant gains. Emerging markets had a challenging year but ended positively, with strong performances from India and Brazil.

Fidelity Bond

The fund posted positive returns and outperformed the index, primarily due to its credit positioning while term structure positioning weighed on returns. Our overweight credit positioning contributed positively to excess returns as credit spreads tightened over the period.

Amid the higher rate environment, we had a preference in the portfolio towards financials. Whilst the sector has seen some pressure last year, with the US regional banking crisis and the collapse of Credit Suisse, credits with strong fundamentals have contributed to returns as their margins benefit from higher interest rates. Our strong bias towards these assets backed securities names such as Intu Finance and Aa Bond, contributed to performance positively.

Meanwhile, our structural underweight to Quasi sovereigns cost us slightly in performance. However, we do maintain that there is limited upside in owning these bonds as the transaction costs associated with exiting these illiquid positions largely offsets any gains made. In terms of duration, we maintained a tactical stance towards interest rate positioning given the elevated level of volatility in rates markets. Favourable positioning across Gilt yield curve contributed to excess returns while overweight position in US dollar duration held back gains as yields rose.

Fidelity GMAC

The Fidelity Global Multi Asset Credit fund achieved a positive return of 7.4% (net of fees) during the period. It outperformed government bonds and investment-grade bonds, but it underperformed US leveraged loans and high yield bonds. The primary driver of the positive returns was the credit strategy, which benefited from tighter credit spreads and higher overall yields. Corporate bonds outperformed sovereign bonds due to strong corporate earnings and reduced recession risks, driven by healthy labour markets, resilient growth, and weakening inflation data. There was a significant shift in the landscape of inflation and interest rate expectations over the period. Initially, the market expected faster central bank action to lower interest rates, but these expectations were scaled back towards the end of the period. Government bond yields, including US Treasuries, adjusted in response to shifting market sentiment and economic indicators. However, these losses were partially offset by the tactical Australian-dollar and Norwegian-Krone duration positions.

Fidelity GEME

The fund delivered positive returns during the period and outperformed the comparative index. Stock picking across South Korea, Brazil and Kazakhstan enhanced gains, while China and Hong Kong were a drag on performance. Among sectors, stock selection in IT and financials, and the underweight stance in communication services enhanced gains. This was offset by the weak performance of the consumer staples, energy and consumer

discretionary sectors. Indian online travel agency MakeMyTrip rose after it posted solid quarterly results throughout the year benefiting from a recovery in international travel. Investors continued to focus on structural growth in travel demand, rising online penetration and low competitive intensity, which they expect to translate into stronger earnings and free cash flow growth over the medium to long term. Conversely, Chinese consumer holdings, including Li Ning (sportswear), Zhongsheng (automobiles) and China Mengniu (dairy) remained subdued amid a weaker consumer environment. Within financials, Brazil's digital challenger bank Nu Holdings rallied as it continued to operate well and expand its customer base across Brazil and Mexico. Kazakhstan's Kaspi registered strong growth in revenue and net income for the fiscal year 2023, led by its faster growing and more profitable payments and marketplace platform segments, and also benefited from its listing in the US, which has boosted liquidity. Russia's TCS Group, a provider of online retail financial services, which was fully sold in January, also contributed to performance. Weaker performers included Indian lender HDFC Bank, which has come under pressure from its high loan to deposit ratio and elevated operating expenditure in the aftermath of its recent merger with HDFC Life, and Hong Kong insurer AIA Group which was impacted by poor sentiment towards China and the company's decision not to renew its share buyback, despite announcing earnings that indicated strong growth in the value of new business over Q1'24.

Partners Group

In year ending 31st March 2024, the net performance of PG RBG IC Ltd was +0.2% in GBP terms, FX was a significant detractor to performance.

This was a challenging period for investors, with higher interest rates and macro uncertainty weighing on investment volumes and valuations. From an asset class perspective, private equity, infrastructure and private debt were positive contributors to performance while real estate was the only detractor. Real estate saw a global reduction in valuations by third-party appraisers.

Given the mandate is currently in wind-down, Partners Group are focused on the efficient management of the portfolio to allow distributions as and when underlying investments are exited. PG RBG IC Ltd received proceeds from the sale of Civica, a UK-based global provider of cloud software solutions. PG RBG IC Ltd also received proceeds from the sale of Borssele III/IV, a 731.5MW fully operational offshore windfarm, comprising 77 wind turbines in the Netherlands.

During the year ending 31st March 2024, Partners Group distributed GBP 5m to RBG.

CBRE

The UK real estate market remained somewhat challenging over the past year; however, we appear to be at or approaching the bottom of the cycle in most sectors. The portfolio produced a total return

of -2.5% over the past 12-months, underperforming the benchmark return of -0.7%. The recent spike in inflation and interest rates continues to feed through to lower capital values across the market, most notably within the Office sector which has been slower to reprice due to a lack of transactional evidence when compared to the Industrial sector which largely repriced in H2 2022.

Real estate markets, both in the UK and globally, experienced a significant reduction in transactional volumes, as rising gilt yields impacted investors asset allocations, creating a denominator effect and increasing liquidity requirements. As a result, redemption requests in open ended property funds remain inflated, with deferral mechanisms being utilised to enable a managed programme of asset disposals to facilitate liquidity.

Whilst investment market activity remains at a subdued level, UK real estate performance is showing signs of improvement in the early stages of 2024. According to CBRE's UK Monthly Index, All Property capital values fell by 0.4% in Q1 2024. However, this decline was driven solely by the Office sector, with a 1.7% fall in capital values over the quarter. In contrast, capital values increased in both the Retail and Industrial sectors, suggesting that value declines for these sectors might have eased for the time being.

Despite economic data remaining volatile, with a downward trend in both inflation and bond yields,

the markets are now expecting interest rate cuts to take place this year, which should stimulate higher investment volumes for the remainder of 2024, providing grounds for optimism of yield compression, albeit the recovery in the real estate market is likely to be gradual.

LCIV Absolute Return Fund

The value of the Sub-fund declined by -6% in the 12 months to March 2024, underperforming the target of 8.3%. The annualised return over 3 years was 0.7%, underperforming the target by 4.9%.

The investment manager acknowledges that the sub-fund was tilted too much to downside scenarios during the year. However, they continue to believe that investors are too bullish regarding prospective interest rate cuts. They also believe equity and credit markets are not paying enough attention to downside risks. Despite this, they have adapted the portfolio to improve the balance between return-seeking and protective assets.

The manager continued to hold derivative positions to protect against falls in equity and credit markets. They adjust this protection to extract as much value as possible. Yields from high quality short term debt help to offset the cost of this protection, and the manager has added a small amount of stock specific risk.

The investment manager believes that the confidence of investors in credit and equity markets is misplaced. They believe that protection from high

and volatile inflation as well as the risk of capital loss is the most important aspect currently. Although the cost of protecting the portfolio is high, they are taking more care to offset these costs with income generated from cash and near cash assets, as well as returns from the small allocation to growth assets.

The manager adjusts positions actively as new data is released and they aim to capture opportunities to express their views more efficiently. They believe the key to recovering the loss from the past 12 months is to limit damage if stocks and credit continue to rise, and to put capital back to work quickly if the expected correction is realised. The manager has executed this well in past periods of underperformance.

LCIV Real Return Fund

Over the 12 month period, the Sub-fund returned 7.9%, compared to 8.3% for the target. The annualised return over three years is 1.7%, 3.9% below the target.

The investment manager changed their approach and moderated the defensive positioning of the sub-fund in the quarter ending December 2023, following lower inflation and the high probability of an end to interest rate hikes. The size of the return seeking core of the sub-fund increased significantly, which is made up of equities, corporate bonds, emerging market debt and alternatives. This allocation was an important source of gains during the year, especially due to strong equity performance and good stock selection from the manager.

Going forward, the investment manager maintains a cautious outlook. They believe that volatility will continue as expectations for inflation and monetary policy change. The manager continues to remain flexible and dynamic to be able to take advantage of market rallies as well as providing protection against capital losses.

The structure and risk profile of the sub-fund is aligned to London CIV expectations.

LCIV Private Debt Fund

The LCIV Private Debt Fund is a closed-ended fund that aims to invest in underlying funds providing loans to middle-market companies in Europe and North America. The fund's objective is to achieve a net return of 6% to 8%. The fund returned 7.4% over the year. The current high interest rate environment has allowed the managers to enter into loan agreements with net Internal Rate of Returns (IRRs) significantly above the LCIV fund target of 7%. These higher base rates have also led to lower leverage on deals with lower loan-to-value (LTVs). A small number of the underlying borrowers are being monitored within the portfolios, which is in line with the historical average, indicating the resilience of companies despite the high interest rates. It's important to note that the performance of the Fund will not be formally assessed against its objective until four years after its inception (March 2025).

LCIV Renewable Infrastructure

The LCIV Renewable Infrastructure Fund focuses on investing in infrastructure assets for the generation, transmission and distribution of renewable energy, with a market segment focus including wind, solar, biomass and hydroelectricity. As at 31 December 2023 the Fund's Net Asset Value ("NAV") was £450.3m which is an increase of £97.0m from the previous year. This is £68.2m above the total contributed capital since inception of £382.1m and demonstrates the positive performance from the underlying investments.

To date the Fund has made good progress in sourcing and acquiring businesses and assets and the initial investments are now approaching the end of their investment periods. Attention is now moving to the execution of business plans to ensure that development and construction stage assets move into operations on time and within budget.

A secondary investment made in 2021 into Blackrock's Renewable Income Fund has also performed above expectations due to the operational portfolio benefiting from the inflationary and high-power price environment.

However, please note that, due to the nature of the Fund, performance is not formally assessed against its objective until four years after inception (March 2025).

Private Equity

The Scheme invests in one portfolio

- **Wilshire** – invests in one fund:
 - Fund VII US

As of the 31 March 2024, the capital called and uncalled figures were:

Fund	Called Capital (m)	Uncalled Capital (m)
Wilshire Fund VII US- USD	16.38	0.32

The net internal rate of return and the total value to paid in of each portfolio can be seen below.

Fund	IRR p/a	TVPI
Wilshire Fund VII US	7.72%	1.69

Largest holdings

The following table gives the top 10 pooled fund holdings at 31 March 2024.

Top 10 Global Holdings as at 31 March 2024	Market Value	Weight
	(£m)	(%)
1 - LGIM Future World Global Equity Funds	282	17
2 - Blackrock iShares UK	229	14
3 - Fidelity Global Multi Asset Credit	167	10
4 - Fidelity UK Aggregate Bond	153	9
5 - Blackrock Aquila Life 3000	153	9
6 - Fidelity Global Emerging Market Equities	138	8
7 - Partners Group RBG IC Ltd	103	6
8 - London CIV Real Return	101	6
9 - London CIV Absolute Return	98	6
10 - London CIV Private Debt	68	4

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 E).

UK Stewardship Code

The Pension Fund issues a Stewardship Report in line with the UK Stewardship Code for Institutional Investors which is reviewed on an annual basis. The Stewardship Code sets out twelve principles of good practice on engagement with investee companies. The Stewardship Report is set out in Appendix D. The Fund's equity, bond and multi asset managers have also issued reports in line with the Stewardship Code.

Voting Policy

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, where the fund is segregated. These guidelines are set out in appendix III of the Investment Strategy Statement (Appendix E).

Climate Reporting and Governance



ROYAL BOROUGH OF GREENWICH
PENSION FUND

Responsible Investment

Fund Key Highlights of 2023/24:



- 1 Introduction of presentations to the Local Pension Board from the Funds Investment managers – solely focused on ESG and engagement.
- 2 Movement of £237.5m of global equities into the LGIM Future World Global Equity Index Fund.
- 3 Receipt of third year report detailing the Funds carbon footprint and providing year-on- year comparator.
- 4 Participation in both the Private Debt and Nature Based Solutions Seed Investors Groups with the London Collective Investment Vehicle (LCIV).
- 5 Presentation from LAPFF at the ‘Annual Strategic Away Day’ to discuss how the Fund can utilise its membership and support the forum.

The Fund recognises the importance of responsible investment, in particular climate risk, within the investment landscape and continues to undertake work to ensure that its governance procedures and investment strategy consider the opportunities and risks presented by climate change.

This section reports on the Funds activity in 2023/24 in line with the four core elements of the Taskforce on Climate-Related Financial Disclosures (TCFD)¹ as follow:

Governance	Details the organisation’s governance around climate-related risks and opportunities
Strategy	Focuses on the actual and potential impacts of climate-related risks and opportunities on the organisation’s business, strategy, and financial planning.
Risk Management	Outlines the processes for identifying, assessing, and managing climate-related risks.
Metrics and Target	Disclosure of specific metrics and targets to assess and manage climate-related risks and opportunities, including greenhouse gas emissions data.

Governance

FRC Stewardship Code Signatory



On 22 July 2024 the Royal Greenwich Pension Fund was listed as a signatory to the Financial Reporting Council (FRC) Stewardship Code for its Stewardship report for the year ending 31 December 2023. The report demonstrates how the Fund has applied the Codes 12 stewardship principles over the 2023 year, evaluating what has been successful and identifying areas for improvement.

¹ Please see glossary for more detail.

Engagement

Monitoring the engagement undertaken by the Funds investment managers as part of their investment decisions, especially on ESG factors, is an integral part of the Funds governance to promote good practice in the investee companies and markets within which the Fund is invested and to act in the best interests of its members.

This year saw the introduction of presentations to the Local Pension Board from Investment Managers solely focused of ESG. The introduction of these ESG specific presentations provides a platform through which the

Board can engage with managers in relation to their environmental, social and governance activities and engagements and allows Board to identify and challenge any gaps in this area.

A key example of engagement work presented to Board through this process can be seen in the work undertaken by the Funds Global Emerging Markets

Since late 2020 the Manager has been coordinating an engagement in collaboration with Climate Action 100+² with one of the world's largest mining companies. The engagement, consisting of 6 institutional investors from Climate Action 100+ has focused on advocating for the company to disclose a mid to long term plan for reducing its carbon emissions and to set net zero emissions targets. Achievements through this engagement include:

- The company producing a clear outline of the roles and responsibilities of the Chairman of the Board and the Sustainable Development Committee
- Reporting has been aligned to TCFD recommendations.
- The companies CDP score on climate disclosure has been raised from C to B
- The company has completed a physical risk analysis and an analysis of the potential increased carbon prices on several climate scenarios.
- Raised awareness across top level management.

- Set mid to long term targets along with a net zero ambition by 2050 (for scopes 1 and 2)

The investment manager continues to work on this engagement noting that there is further work the company can undertake. Recommendations include:

- Release for scope 3 targets.
- Integrating internal carbon prices into investment decisions
- Linking executive remuneration to their new climate targets
- Specifying that new committee members have climate change expertise.

The investment manager will continue to follow up with the company on current progress and future plan.

Training

Officers, Panel and Board members receive a rolling training programme in line with the 2021 CIPFA Code of Practice on LGPS Knowledge and Skills. As part of this training, officers, Panel and Board members are encouraged to complete The Pensions Regulator (TPR) online Toolkit. During the 2023/24 financial year Panel and Board received training in the following areas:

- ESG (including an overview of carbon footprint metrics and natural capital investment)
- Investments

- Accounting and Audit
- Legislative & Governance Context

During 2023/24 the Fund completed a review of its training practices in line with the CIPFA Knowledge and Skills Framework with the aim of identifying gaps in knowledge and new ways through which the Fund can undertake training. As part of this process a new system for logging and monitoring training was introduced. The Fund researched various additional resources for training and ascertained a free trial of an online training platform called Enlighten provided by the Funds Actuary, Barnett Waddingham. The platform provides access to short training videos on several topics and provides a facility to log the progress of participants. As part of the trial the Fund will be actively involved in providing feedback to help shape the platform further.

During 2023 the Fund supported the Accountancy and Business Change Deputy Finance Manager to complete a 6-week certified Focus on ESG Course which helped to strengthen the teams ESG credentials with practical training and strategic know-how.

Each year the Fund holds a strategic 'away day'. This day is an opportunity for Panel and Board members and officers to receive training, have round table discussions on key issues and reflect on current and future priorities for the Fund. Part of this years away day focused on natural capital, covering the

² Climate Action 100+ is an investor-led initiative which works to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

associated risks and opportunities of the asset type and how it may assist the Funds transition to net zero. Alongside this, the Funds investment advisors provided officers, Panel and Board with training on the Taskforce on Nature-related Financial Disclosures (TNFD), which has developed a set of disclosure recommendations to align with TCFD. which enable investees and business to assess and report on their nature related dependencies, impacts, risks and opportunities.

LAPFF Membership

The Fund is a member of the London Pension Fund Forum – a member-led forum which aims to promote high standards of corporate governance through company engagement. The Fund monitors engagements undertaken by the LAPFF; however, in recent years the Fund has not actively engaged on a specific issue via the LAPFF. Therefore, in February 2024, the LAPFF attended the Funds annual Strategic Away Day to discuss with Panel, Board and officers how the Fund can become more interactive with the forum to promote best industry practice and ensure strong corporate stewardship for the benefit of its members. The Fund aims to continue to improve its interaction and use of the forum as it moves into 2024/25.

London Collective Investment Vehicle (LCIV)

Fund officers have continued to attend virtual

monthly update meetings held by the LCIV which provide a vital platform through which pooled Funds can engage on a variety of topics and through which the LCIV can provide information and updates. Officers from the Fund also attended the annual LCIV Strategy and Responsible Investment Conference which provides a further engagement platform for pooled Funds to openly discuss relevant topics.

This year officers have been participating in both Private Debt and Nature Based Solutions Seed Investors Groups with the London Collective Investment Vehicle (LCIV), feeding thoughts into the design of these Funds and challenging where necessary.

Strategy

Policy

The Fund has a comprehensive Investment Strategy Statement (Appendix E) and a standalone Responsible Investment (RI) Policy (appendix K) which incorporate the Funds approach to climate related risks and opportunities.

Alongside this, the Fund has a Net Zero Roadmap which is designed to assist the Fund in maximising ESG opportunities and assessing ESG risks within its investment and stewardship activities. The Fund plans to review its progress against this policy in 2024/25

and update the policy as required.

Asset/Liability Modelling

In June 2023, the Fund carried out an asset liability modelling exercise in conjunction with the 2022 actuarial valuation. As part of the exercise a number of contribution rates and investment strategies were modelled and the implications of adopting a range of alternative investment strategies were assessed. The Panel reviewed the Fund Investment Strategy and agreed the following changes:

- A 5% decrease in the allocation to equities to 40%
- To reshape the allocation to illiquid assets by increasing allocations to private debt and infrastructure to 10%
- The increased allocations will be funded by an 8% decrease in the allocation to multi-asset funds to 5% and a 2% decrease in the allocation to multi-asset credit to 10%.

The Funds investment strategy factors into account the long-term nature of the Funds liabilities in relation to the underlying investments. The structure of the Funds' assets is therefore split as follows to accommodate a long-term time horizon:

- Growth Assets – Investments which aim to provide capital appreciation. These return seeking investments aim to provide a positive return over time to grow the scheme assets in

order to meet future liabilities.

- Income Assets – Investments which provide income to support the Funds cashflow and therefore ensure that benefits are paid when they fall due.
- Protection Assets – These assets provide further protection against market risks by providing diversification.

Low Carbon Equity Fund

In February 2023, the Panel agreed to replace its carbon intensive passive equity fund with a low carbon mandate. This year the Fund moved £237.5m into the LGIM Future World Global Equity Fund. The Fund provides exposure to developed and emerging equity markets while reducing the weighting of companies with higher carbon emissions. Companies which fail to meet the minimum expectations in relation to low carbon transition and corporate governance may be excluded from the fund. The index selected aims to meet specific climate objectives in line with the Paris Agreement. This includes an immediate 50% reduction in carbon intensity supported by a 7% year-on-year reduction in carbon emissions, aiming to be net zero by 2050.

Risk Management

As we move towards our net zero target the Fund needs to assess and monitor the risks and opportunities associated with climate change.

Transitional Risk

Transitional risks are risks associated with societal and economic movement towards a low-carbon future. These risks are business related risks and can include policy and regulatory risks, technological risks, market risks and reputational and legal risks.

Physical Risk

Physical risks are those associated with climatic events. These can be classified into two categories - chronic physical risks which are associated with longer term changes in weather patterns (for example sustained higher temperatures or sea level rises) and acute physical risks which are event-driven (for example hurricanes and floods).

Officers, Panel and Board review climate related risks via the following processes:

- Review of the Funds key policies and procedures which incorporate climate related risk (including

the Funds Investment Strategy Statement, Responsible Investment Policy and Net Zero Roadmap)

- Incorporation of ESG related risks into the Funds risk register which is reviewed quarterly by Board and annually by Panel.
- Review of quarterly investment and manager performance (which provides insight on market trends and potential risk areas).
- Training specific to ESG risk management

Metrics and Targets

Carbon Footprint Reporting

This year is the Funds third year of reporting on its Carbon Metrics which now provides a broader vision of the Funds journey towards net zero.

The latest carbon footprint data is as at 31 March 2024. The carbon footprint data is available across approximately 78% of the value of Funds assets however the coverage across each mandates varies. The quality of data information is improving, and it is important to note that, the quality of the data available remains more relevant than achieving maximum coverage at this stage.

The chart below shows the carbon intensity of the Fund through the total carbon dioxide equivalents per million GBP invested (tCO2e/mGBP). This is split into Direct and First-Tier Indirect (company emissions deriving from direct business activities or through the first tier of the companies supply chain) and Scopes 1-2-3 (direct operational emissions, emissions from consumption of purchased electricity, steam and other sources generated upstream from the company and emissions deriving from the in-use phase of a company's product or service)

	Direct + First Tier Indirect	Scopes 1-2-3
31 March 2023	154.6	831.3
31 March 2024	96.5	754.2
Total Reduction	58.1	77.1

Over the year the Funds implicit temperature has decreased from between 2 and 3 degree Celsius to less than 1.75 degrees Celsius resulting in the Fund now being aligned with the objectives of the Paris Agreement.

Fossil fuel exposure per value of holdings has decreased to 9% from 12.24% since 31 March 2023 with the Funds revenue weighted exposure at approximately 2%.

Challenges

The main challenge facing the Fund with regards to carbon footprint reporting continues to be the amount of coverage available across different asset types, especially in relation to scope 3 emissions

(emissions which are not directly produced by a company but are created indirectly within its value chain). There are also challenges due to the different methodologies used to report on carbon footprint information. However, as more information becomes available, coverage across the Fund should continue to improve.

Next Steps

The Fund intends to make further progress in relation to climate risk and environmental, social and governance risks in 2024/25 including:

- Re-review and update of the Funds Net Zero Roadmap which was initially introduced in 2022/23
- To review and report on Voting in more detail.
- Re-review of the risk register process including further building of climate risks into the Pension Fund risk register.
- Continued training.

Economic Review



ROYAL BOROUGH OF GREENWICH
PENSION FUND

Economic Review

Global Economy

The last financial year was marked by volatility due to high inflation and rapid interest rate hikes. The stock market fluctuated between recession fears and hopes for interest rate cuts as inflation eased. Overall, the market rallied, with the MSCI ACWI GBP returning +20.6%, driven by the dominance of technology stocks, particularly those related to artificial intelligence, while other sectors took longer to catch up. Policymakers focused on balancing recession risks with persistent inflation. Although the Federal Reserve kept rates steady, it signalled plans to cut rates in 2024. The European Central Bank and Bank of England also maintained a cautious approach. Despite potential delays in rate cuts, financial markets posted positive returns, fuelled by anticipation of gains from artificial intelligence in the technology sector and the performance of value stocks later in the period.

Over the year ending March 31, 2024, US equity markets experienced a robust and sustained rally. The S&P 500 index rose by 29.88%, led by high-growth stocks. Enthusiasm around artificial intelligence helped the market recover from the turbulence of last March's regional banking crisis. The rally was fuelled by positive economic conditions, including the Federal Reserve's expected rate cut timeline, strong earnings, low unemployment, and high consumer spending. The Russell 1000 Growth index outperformed the Russell 1000 Value index

during this period, driven by the "Magnificent Seven" tech giants (Microsoft, Apple, Nvidia, Amazon, Meta, Tesla, and Alphabet), which significantly contributed to the growth index's returns. Despite growing bullish sentiment among market participants, questions remain about the sustained growth of productivity, the outlook for inflation, and the long-term effects of higher interest rates.

Similarly, European equities also delivered strong returns over the past year despite cautious sentiment due to potential recession concerns, weaker macroeconomic data from China, and geopolitical risks. The asset class remains under-owned by investors, who generally maintain a defensive positioning. European markets began to rally significantly from November 2023 onwards, as market expectations shifted away from the looming threat of recession that had dampened sentiment for over 18 months. This rally was supported by a dramatic decline in energy prices in the region, which had surged following the Russian invasion of Ukraine, leading to lower inflation and an increased likelihood of interest rate cuts. During the most recent earnings season, more companies reported signs of stabilization and potential improvement, with a clear trajectory for increasing orders in certain end markets.

MSCI Emerging Markets ended the period up 8.5%, materially underperforming DM, which gained +25.7%. Emerging Markets started 2023 on a

strong note as sentiment surrounding China equities meaningfully reversed amid growing excitement around the country's much awaited reopening from the Covid-19 pandemic, and the market was hopeful for a peaking US dollar. However, China's reopening ultimately disappointed and the US proved remarkably resilient despite aggressive monetary tightening. Elsewhere, the trend of generative AI propelled the Tech sector to substantial gains and Taiwan reached all-time highs towards the tail end of Q1 24 as the use cases for AI grow.

Japan's equity markets gained during the year, driven by heightened expectations of corporate reforms by the Tokyo Stock Exchange, growth in semiconductor and AI-related stocks, and increased inbound demand from foreign tourists. In April, the market rallied following statements by American investor Warren Buffet and expectations for structural reforms in domestic companies, such as improvements in the Price-to-Book Ratio (PBR), the reopening of the economy boosting inbound demand, and the continuation of accommodative monetary policy. Growth stocks saw a significant rally fuelled by expectations for AI-related companies. However, the market experienced profit-taking and was impacted by higher US long-term interest rates, affecting both US and Japan markets. As the market anticipated rate cuts, lower treasury yields helped US and Japan equities to soar. Entering 2024, data confirmed that Japan is breaking out of its deflationary cycle and entering a virtuous cycle of

price increases and wage hikes. Although the Bank of Japan ended its negative interest rate policy, this shift confirmed Japan's return to normal policy and the cycle of price increases and wage hikes.

In contrast to the global equity market, In Q2 2023, global bond market sentiment was negative due to expectations of continued interest rate hikes by central banks. US inflation slowed to 5.0% YoY in March, and the Fed paused rate increases by the quarter's end. The US debt ceiling negotiations added to uncertainty, though a deal was reached in May. Euro area inflation met expectations, while UK inflation exceeded them. The ECB and BoE raised rates, with the UK the only country in the G7 experiencing rising inflation. Q3 2023 saw mixed bond performance due to soft economic data and long-term inflation views. The Fed and ECB raised rates, with the BoE increasing to 5.25%. Global sentiment remained negative as developed market yields rose, driven by hawkish Fed projections. In Q4 2023, the 'higher for longer' narrative and solid US economic data led to negative bond sentiment initially. US and UK inflation data showed minor surprises, and central banks seemed to end their tightening cycles. By December, bond markets turned positive, with yields falling notably. Q1 2024 began with a slight downturn in bond markets, despite stable economic data and central bank communications. The Fed and ECB maintained their rates, and the BoE held rates steady with a dovish tone. The quarter ended positively with decreased yields and tightening spreads, and slight decreases

in US and UK inflation rates. G10 currencies mostly weakened against the US dollar, except for the Canadian and Australian dollars.

weakening US Dollar, and improved sentiment for China equities. While tensions between the US and China and concerns of financial contagion posed challenges, market sentiment improved towards the end of the quarter due to reduced fears and positive news from China regarding support for the internet sector and state-owned enterprises.

In contrast to the rest of the global equity market, the Japanese stock market saw a period of growth, outperforming other regions due to its unique position in the economic cycle and the implementation of monetary and fiscal policies. However, market sentiment was affected by concerns about rising inflation and weakening economic indicators, particularly in Europe and the US, leading to volatility. Towards the end of the period, there was growing optimism in global markets that the US Federal Reserve's tightening cycle was nearing its end and that interest rates might be cut in 2023. The failure of US regional banks also had an impact on the Japanese equity market. JPX, the Japanese stock exchange, called on companies with low Return on Equity (ROE) to reassess their capital policies and undertake business model reforms, which is expected to bring about positive changes for "Japan Corporation."

Inflation reached multi-decade highs in the US and the UK. The ECB raised key interest rates

for the first time in over a decade. The UK experienced significant rate hikes, a government budget announcement, and high CPI. In the third quarter, economic data indicated a global economic slowdown, leading markets to price in potential interest rate cuts from the Federal Reserve. In the last quarter, investors assessed central banks' actions to control inflation. Global bond markets rallied in January but reversed in February due to stronger-than-expected economic data. The bond market was characterised by a banking crisis in March, leading to speculation that the Fed's hiking cycle was nearing its end. Although, developed markets central banks raised rates, but inflation remained persistent.

UK Economy

UK equities increased in sterling terms but significantly underperformed the global average. Strong performances in the technology and industrial sectors were largely offset by poor results in telecoms, consumer staples, utilities, and basic materials over the past 12 months 2023 was another year where markets remained focused on interest rate policy and inflation, as central banks deliberated on how to respond to a mixed picture from the inflation data. UK inflation dropped to 3.4% in February, down from 10.4% a year earlier, raising expectations for rate cuts. However, UK interest rates remained at a 16-year high of 5.25%. In the US, the Federal Reserve hinted at potential rate reductions despite holding rates at a 23-year high of 5.25% to 5.5%. Central bankers had been quick through the year to reaffirm their commitment

to curbing inflation, highlighting the need for rates to remain elevated against the backdrop of falling goods inflation, but services inflation remaining sticky, driven by tight labour markets. Further volatility was sparked through the year, first as the collapse of Silicon Valley Bank and Signature Bank led to concerns of a banking crisis in the US. This was shortly followed by a disruption in the financial sector in Europe as Credit Suisse was taken over by UBS in a deal brokered by the Swiss National Bank. Then followed the rise of AI, with divergence driven by the perceived beneficiaries versus the victims, and finally the outbreak of war in the middle east. 2023 ended with interest rate expectations falling sharply in the fourth quarter and risk assets rallying. Global equity markets rallied at the start of 2024 on strong earnings from technology names, despite mixed macroeconomic data. The FTSE All Share rose 8.4%,

however, lagged global equity markets on concerns around growth in China, notably in the commercial real estate market.

The UK real estate market experienced significant challenges in 2023 due to high debt costs and falling valuations, leading to reduced transaction activity and liquidity. Over the past 18 months, persistent inflation and a 500-basis point increase in the base rate impacted financial markets and asset pricing. By the end of 2023, the market showed signs of stabilization after a 22% decline from peak prices in June 2022. Looking forward to 2024, a potential inflection point is anticipated as inflation declines and interest rates peak. The Bank of England's steady rate at 5.25% and dovish forward guidance hint at possible rate cuts later in the year, boosting optimism for the UK's macroeconomic climate. This creates an attractive entry window for investors, reminiscent

of post- Global Financial Crisis opportunities, although performance will vary across sectors. The office sector faces challenges due to EPC (energy performance certificate) regulations and remote working trends, while sectors like logistics and residential are poised for growth driven by structural and demographic factors. Retail logistics and the living sector remain robust, with residential deal activity showing resilience in Q1-24.

As yields decompress and market conditions stabilize, capital market activity is expected to improve in 2024.



Scheme Administration Report



ROYAL BOROUGH OF GREENWICH
PENSION FUND

Scheme Administration Report

Staff and Duties

Following a re-organisation in October 2023 the pension service now comprises of 13.6 full time equivalent (FTE) staff, however only 7.4 FTE are currently filled due to vacancies and staff secondments. 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:

- The administration of the Local Government Pension Scheme (LGPS) in accordance with relevant legislation.
- The running and maintenance of the Pension Payroll to ensure accurate and timely payment of monthly pensions in excess of 8,500 pensioners and their dependants.
- The maintenance of 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).
- The provision of key employee data to the NHS and London Pension Fund Authority.
- The provision of information and key data to scheme members and other bodies associated with the LGPS.
- The provision of guidance to the Pension Fund Investment and Administration Panel on pension legislation and the options available.

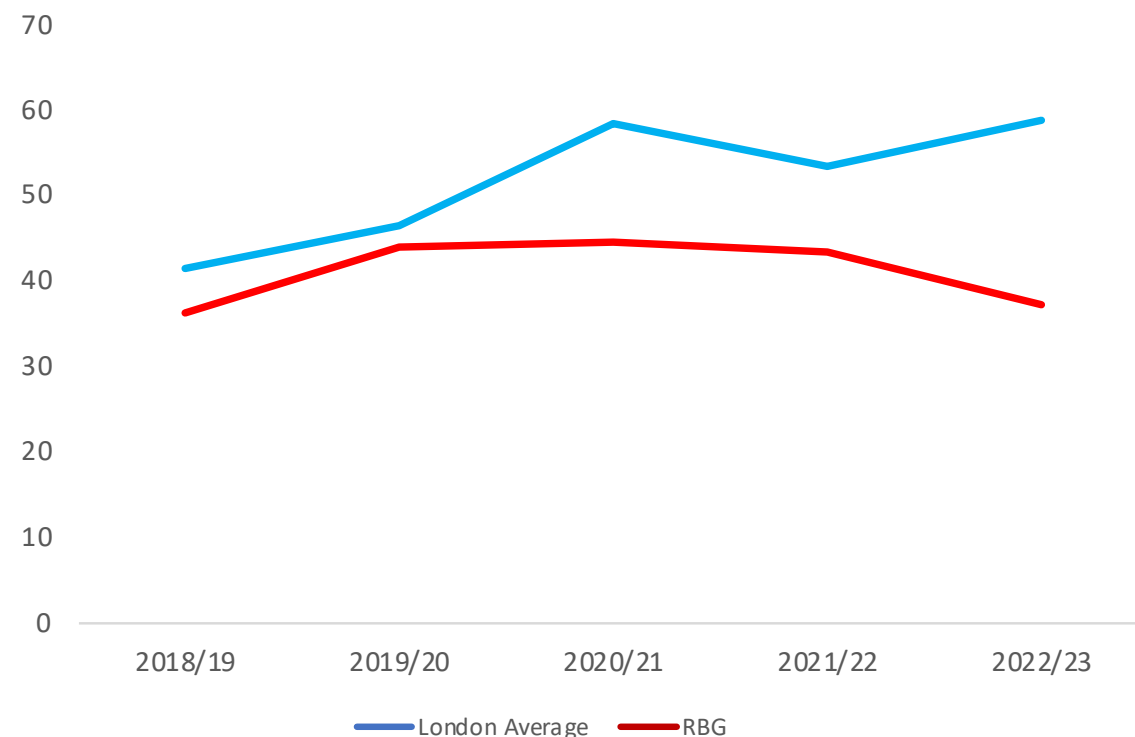
The pension service has the following aims at its core:

- The improvement of standards and efficiency and to keep costs under scrutiny.
- To develop plans to increase IT efficiency and give members more options with regards to accessing details of their pension benefits and other information.
- To train and develop staff in respect of any changes to legislation and to meet the service requirements.
- To achieve a high standard with regards to service delivery and customer service.

Value for Money

The scheme continues to offer value for money to employers and members, by making sure that both Pension Board and Panel have the right skill set and knowledge to ensure governance of the fund; whilst also making sure that the investment and administration teams are, appropriately and adequately resourced to meet the day-to-day challenge for running the Fund. The following table shows the average administration expense per member for the Royal Borough of Greenwich Pension Scheme and the average for London LGPS schemes.

Administration Expenses Per Member



The London average is made up of the average administration expenses per member of five neighbouring boroughs.

Please note, this information is only available up until 31st March 2023 as the 31st March 2024 accounts for the neighboring boroughs were not published at the time of calculation.

Review of the year 2023 – 2024

The pension service continues to successfully function within a hybrid working environment. The team have continued to work remotely with staff working in the office approximately 40% of their working week in line with the Authority's policy. Training and meetings are delivered either in person or remotely, using digital platforms such as Microsoft teams, as appropriate which provides a flexible option for staff and scheme members.

Successful promotions within the pension service have filled the vacant Pension Manager post and resultant Deputy Pension Manager post however, this has then created a further Senior Pension Officer vacancy and the recruitment of experienced senior staff remains an issue. The service has been actively trying to recruit Senior Officers and following three rounds of interviews no suitably experienced candidates have been successful.

The recruitment challenge is an industry wide problem, not solely for Greenwich, with only a small pool of experienced LGPS staff. A new LGPS specific Apprenticeship is being developed by the Local Government Association to help increase the availability of LGPS experienced staff however this will not immediately improve the situation.

The team have continued to focus on developing staff in post and the recruitment and development

of apprentices. Targeted training has been provided both internally and externally to support staff in their development and transfer of skills, with courses being held online where available. The 2 apprentices who are in their second year studying workplace pension courses are progressing well. The aim is to be able to provide them with a permanent position at the end of their apprenticeship.

The October 23 restructure increased the number of posts in addition to increasing staff salaries. This was necessary to both aid recruitment and retention of staff and to enable key projects and legislation changes to be delivered by the service. Following the review, applications from officers from other authorities outside of London have been received. Flexible working options will be considered for any successful applicants to facilitate recruitment for long distance workers.

Management and staff have continued to cover key tasks and priorities where possible, however service delivery has been impacted by these continued vacancies.

The Pensions Manager has regularly attended pre-retirement courses, assisted the authority with the HR team in promoting the benefits of being in the LGPS and met with scheme employers and their staff to increase the understanding and awareness of the LGPS.

Members have access to a self-service portal where they can view their pension records, run estimates, amend certain personal data and contact the pensions team. This is promoted via the telephone, email and written communications, at presentations and at every opportunity. This has reduced the amount of estimates the team has needed to provide and improved member engagement.

The pension service priorities remain on delivering the service's core functions of retirement cases, deceased cases, provision of pension estimates and the setting up and timely payment of monthly pensions. We are continuing to address the backlog with planned focus days to concentrate on one particular task in the backlog to reduce the outstanding cases.

Scheme membership and associated workload

The total membership across actives, deferreds, pensioners and dependants has slightly increased from 26,562 to 26,842. Retirements have increased by nearly 7% in comparison to 2022/23 and 12% compared to 2021/22. The number of pensioners and dependants have increased by a further 4.2% increasing pension payroll workloads in respect of the setting up and payment of monthly pension payments. The number of new starters being processed increased by 13% compared to the previous year, however the overall active

membership has decreased by 2% since 2023. As anticipated, resource issues resulted in a reduction to the overall throughput of the team. The total number of cases processed reduced by 6% from the previous year.

Annual Benefit Statements for both active and deferred members were provided. 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 outsourcing of service contracts, in particular catering and cleaning services, resulting in changes to admission bodies continue to impact both the workload of the data management staff and the management team, in supporting the new employers and the implementation of the admission agreements.

Over the course of the year, there have been no Ombudsman disputes. The number of service complaints has remained minimal which is a reflection of the continued hard work of the pensions team. During the period one case progressed to the formal internal dispute procedure. This was in dispute of the decision of Occupation Health in respect of Ill Health Early retirement and the case has been resolved.

Legislation

The McCloud judgement and Pension Dashboard are major changes to legislation that will impact members and the pension administration team.

The McCloud judgements have resulted in differing remedies for public sector schemes and widened the scope of protected members. The rules of all public service pension schemes, including the LGPS, changed from 1 October 2023 because of the ruling. The changes are known as the McCloud remedy and they remove the age discrimination found in the McCloud judgment.

This is a substantial project that has stretched our already limited resources and will continue to do so during the 2024/2025 scheme year.

The remedy for the LGPS is the calculation of a McCloud underpin for protected members to establish if any increase to the members benefits is applicable.

Software suppliers are gradually updating the pension system with the relevant calculation changes and outputs required by Legislation to appear on Annual Benefit Statements and calculation results. For the LGPS the underpin will need to be shown on the 2025 Annual Benefit statements for active members.

The Pension Dashboard

The Pensions Dashboard is a government incentive to allow all pension savers in the UK to be able to

view all their personal, private, public sector and State pensions information all in one place. The Go Live deadline for large public sector scheme has been delayed until October 2025. Senior staff have attended various presentations and workshops on this to keep up to date on any developments and changes.

The team have also had a data readiness assessment carried out and will work with software providers in the year to come to improve data quality standards further.

Abolition of the Lifetime Allowance

When the government announced the removal of the Lifetime Allowance in the budget on 15 March 2023 no decision was made at the time regarding any continuing limits or tax charges and with publication of the Finance Act 2024 these details were explained. The main point is the lump sum rules remain in the Finance Act 2024 but two new allowances were introduced, the Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA). Another change is how any and excess benefits are taxed, instead of 55% which was charged under the LTA regime, any tax charges are now at the individual's marginal rate.

All of these legislation changes will require changes to pension system calculations and methodology. The pension team will need to ensure full understanding of the changes to be able to support affected members.

Projects

The McCloud project

The pension team have carried out a data collection exercise and records are being reviewed to ensure accurate underpin calculations can be processed and implemented in line with legislation.

We have been running calculations in the test environment for accuracy and quality and to establish a potential population of protected members with RBG. The population may be greater due to an individual having pensionable service with another LGPS or Public Sector scheme that we are not aware of.

In line with the Regulations a letter was posted to all known impacted members in December 2023 making them aware of the McCloud project.

Data Cleansing

The team continue to cleanse data in readiness for the pension dashboard and McCloud. A data quality exercise took place in January 2024 to measure the fund's common and scheme specific data in line with the pension regulators requirements, resulting in a 96.6% pass rate for common data 98.5% pass rate for scheme specific data. The results for common data remaining the same as the previous year and showing an improvement of 1.5% for specific data from the previous year.

As part of the McCloud and Dashboard project, the improvement of data quality is paramount to their success. We are working with our Admitted bodies to ensure accurate data is provided by encouraging

the use of iConnect as well as obtaining historic missing data. We are also in talks with our software providers and other providers about services that can be offered to find and fill missing data as part of a bulk and automated exercise to prevent the need to use resources from the administration team to allow them to focus on BAU.

iConnect Roll out

The pension team have continued to move towards greater monthly data collection and further increased the number of payrolls onboarded to the iConnect data interface. There are now 30 payroll reports being reviewed and processed each month. Whilst this has caused a significant increase in monthly data validation and upload, it has reduced the time spent on data cleansing at year end and negated data issues that are usually only identified at year end. This ensures more timely and accurate information to be available for members, the fund actuary and other fund stakeholders.

Pension system upgrades

The Pension System upgrades are now running 4 per year but with the McCloud project and other legislation changes interim upgrades have also been built in meaning there were 5 updates in 2023/24. Each upgrade requires the team to carry out User Acceptance Testing (UAT), working with the Council's ICT team and the pension software provider. Each upgrade has proceeded on time ensuring the system is as accurate, efficient and compliant. Minimal disruption of service was experienced by members due to downtime.

Pension administration and payroll contract

The management team have been reviewing various enhancements/modules to improve processes, reporting functionality and data cleansing. They are in the process of reviewing the current contract with the intention of including any necessary modules, including the procurement of an ISP for the pension dashboard, in any future extension or change of contract.

Admission Agreements

Management and finance staff continue to work with legal representatives streamlining the process for the drafting, signing and execution of admission agreements following outsourcing of services that include Tupe of staff eligible for continued membership of the LGPS. 54 admission agreements have now been signed and sealed in line with the new processes.

The year to come

Annual Allowance and Lifetime allowance

With the changes in the Finance Act 2024 the new changes are being interpreted and disseminated to the team. New member declaration forms have been produced by the Local Government Association and these are now being sent to members who are claiming benefits to be paid on or after 6th April 2024. The pension system has been changed as part of the upgrades for the removal of the LTA calculations although the functionality and some information is still produced on calculation outputs in case there is a change in Government and the LTA is re-introduced.

Annual Allowance was not impacted by the Finance Act 2024 but remains to be an integral part of the LGPS and taxation.

McCloud

McCloud Data will need to be finalised and the underpin for impacted members calculated. Initially, this will be for active scheme members to ensure that the necessary information is available for the 2025 Annual benefit statements in line with the legislative deadline and for any future calculations. Retrospective calculations will be looked at after this has been completed.

The complexity and workload, in respect of McCloud remedy is affecting the resources in the pensions administration team. Since the letter sent to all members in December 2023, the level of direct queries about McCloud has been minimal but as we start adding underpins to calculations and Benefit Statements and if members have other public service pensions, these queries will escalate. The management team factored this into the reorganisation establishing a Project lead role to oversee this and other projects, however the team will still need to be actively involved. The team have been given a high-level overview of the project and will be given further enhanced training when the calculations have been implemented to be able to communicate the changes to all scheme stakeholders.

Pensions Dashboard

Work will continue to cleanse the pension data to ensure quality and accuracy, and this will be impacted by the data cleanse and data changes required in McCloud project.

The fund will procure an ISP to enable connectivity to the dashboard and return of necessary pension information, this will be included as part of pension system requirements below.

In addition, we will engage with the software provider for a Data Cleanse and Enrichment service which will ensure continued accuracy of the data for the Dashboard.

Pension Administration Pension Payroll System Review

Changes and enhancements to the pension administration and pension payroll contract will be reviewed and finalised in the year to come to assist with improving efficiencies in the team.

Backlog Targeting

We will continue targeting backlogs with further focus days when resources allow.

New General Code of Practice


The Pensions Regulator has issued a new General Code of Practice. The pension management team will be working with finance colleagues to assess the changes and self-assess the fund against the new code.

Conclusion

Administration of the Fund is carried out by a dedicated, hard-working pension team. The complexity and range of work in LGPS administration was acknowledged in the restructure and reflected in increases to paygrades.

2023/24 has continued to test the team but collectively they have met that challenge. Productivity has remained constant considering the further reduction to staff resource.

Future proofing of the team is always a high priority for the pension management team, recruitment, retention and development of staff remains a key priority. It is hoped that the combination of the development of staff, apprenticeships and the restructuring of the team will future proof the service and aid in resolving long standing recruitment issues.



Actuarial Report on Funds

ROYAL BOROUGH OF GREENWICH
PENSION FUND

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 2022 and this came into effect in 23/24. Below is a statement from the Fund's actuary summarising the 2022 valuation. The full 2022 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 (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The market value of the Fund's assets as at 31 March 2022 was £1,635m.
- The Fund had a funding level of 103% i.e. the value of assets for valuation purposes was 103% 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 surplus of £43.8m.

Contribution rates

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

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- Plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 18.1% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 5 of the triennial valuation report.

Assumption	31 March 2022
Discount rate	4.8% p.a.
Pension increases (CPI)	2.9% p.a.
Long-term salary increases	3.9% p.a.
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 S3PA heavy series, making allowance for projected improvements with a long term rate of improvement of 1.25% p.a., a smoothing parameter of 7, no initial addition to improvements and a 2020/21 weighting parameter of 5%.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced.
Commutation	Members will convert 50% of the maximum possible amount of pension into cash.

Further details of these assumptions can be found in the relevant actuarial valuation report which can be found on the Royal Borough of Greenwich website royalgreenwich.gov.uk/downloads/download/284/pension_fund_investments_documents

Updated position since the 2022 valuation

Assets

In the 12 months to 31 March 2024 the investment return on the Scheme's assets is estimated to have been 7.7% per annum. The Fund assets have a market value of £1,689m as at 31 March 2024. Overall, the asset value in market terms is less than where it was projected to be at the previous valuation.

Liabilities

Pension increases in line with CPI inflation over the year to 31 March 2024 was higher than the long-term average assumed at the 2022 valuation. However, the projection for the future rate of long-term inflation from 31 March 2024 has reduced since the previous valuation and offset this increase.

The discount rate (i.e. assumed future investment returns) as at 31 March 2024 has increased slightly since the previous actuarial valuation, mainly due to a

significant increase in bond yields. This places a lower value on the value of liabilities. However, both of the above effects have been largely offset by the Pension Increase Orders at 2023 and 2024, which has increased the active CARE, deferred and pensioner benefits by around 17% over as at 31 March 2024.

The value of liabilities will have increased due to the accrual of new benefits and interest on the liabilities. Therefore, we estimate that the liabilities have increased since the previous valuation as at 31 March 2024.

Overall position

Combining the movements in assets and liabilities, we estimate the overall funding position as at 31 March 2024 is lower than the funding level at the previous valuation.

Barry McKay FFA

Partner, Barnett Waddingham LLP



Governance

ROYAL BOROUGH OF GREENWICH
PENSION FUND

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 should convene a minimum of four times a year and in 2023/24 comprised four Councillors 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 C).

The Pension Fund Investment and Administration Panel

Panel Attendance in Municipal Year 2023/24

The table below shows the meeting attendance of Panel members over the course of the year. The Panel formally met on six occasions during the year. All Panel members have full voting rights.

Training	2023					2024
	Investments		Legislative and Governance	Investment Performance and Risk Management	Away Day	
Councillor	19-Jun	24-Jul	18-Sep	11-Dec	09-Feb	18-Mar
Olu Babatola (Chair)	A	A	A	A	A	A
Jo van den Broek	A	A	A	A	A	A
David Gardner	*	A	A	A	A	A
Aidan Smith	A	*	A	A	*	*

A = Attended

* = Absent

The Royal Borough of Greenwich Pension Board

The Royal Borough of Greenwich Pension Board met on five occasions during 2023/24. 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. A copy of the Pension Board Annual Report can be found in Appendix G. All Board members have full voting rights. Two Board members represent scheme members and two members represent employers in the Fund.

Pension Board Attendance in Municipal Year 2023/24

Training Attendee	2023				2024
	Investments 19-Jun	Legislative and Governance 18-Sep	Investment Performance and Risk Management 11-Dec	Away Day 09-Feb	18-Mar
Councillor Nick Williams (Chair)	*	*	A	A	A
Councillor Issy Cooke	*	A	A	A	A
Alastair Kidd	A	A	A	A	A
Simon Steptoe	A	A	A	A	A

A = Attended

* = Absent

Member Training

The first Myner's Principle (see Investment Strategy Statement Appendix E) 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, all new members were given induction training and a programme of training sessions took place in 2022/23. 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 Investments, ESG, Audit & Accounting Standards, Procurement, Low Carbon Passive Mandate and Legislative & Governance Context. Further training took place in 2023/24.

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.

Oversight and Governance of Asset Pool

The Fund maintains oversight of the work undertaken by its asset pool, the London Collective Investment Vehicle (LCIV) through various means including:

- Regular relationship meetings to discuss current workstreams and priorities.
- Regular attendance at monthly Business Updates provided by the Funds pool through which officers can ask questions and raise queries.
- Attendance at the annual LCIV conference. This two day event provides a more detailed, up to date breakdown of the pools operations and

performance.

- Annual review of the pools internal audit assurance report which is examined as part of the annual audit.
- Quarterly review of LCIV Fund performance by Panel and Board. This year the Panel requested that the LCIV provide a presentation on the poor performance of the LCIV Real Return and Absolute Return Funds. Following the presentation these Funds remain under monitoring.
- Participation in relevant seed Investor groups when new Funds are being designed to help shape the Fund, raise questions and challenge where necessary.
- An in depth due diligence process is undertaken by the Funds investment advisors for any new Funds of interest presented by the LCIV.



Fund Account and Net Asset Statement

ROYAL BOROUGH OF GREENWICH
PENSION FUND

Fund Account and Net Asset Statement

Fund Account for the year ending 31 March 2024			
2022/23 £000	Fund Account	Notes	2023/24 £000
Dealings with Members, Employers and Others directly involved in the Scheme:			
	Contributions Receivable:		
-42,462	Employer Contributions	6	-45,956
-15,867	Member Contributions	6	-16,961
-6,371	Transfers in from Other Pension Funds	7	-4,345
	Benefits:		
51,806	Pensions	8	57,894
12,120	Lump Sums and Commutations	8	12,959
1,883	Lump Sum Death Benefits		2,256
5,401	Payments to and on account of Leavers	9	9,531
6,510	Subtotal: Net (additions) / withdrawals from Dealings with Members		15,378
5,715	Management Expenses	10a	5,767
12,225	Subtotal: Net (additions) / withdrawals from Dealings with Members		21,145
Returns on Investment			
-20,834	Investment Income	11	-22,841
59,659	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		-104,724
-	Taxes on Income		35
38,825	Net Returns on Investment		-127,530
51,050	Net (increase) / decrease in the Net Assets available for Benefits during the year		-106,385

The Funds Accounts were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The following are derived from the audited financial statements of the Royal Borough of Greenwich Pension Fund for the year ended 31 March 2024. The complete 2023/24 pension fund financial statements can be found in Appendix H.

Net Asset Statement as at 31st March 2024			
2022/23 £000		Notes	2023/24 £000
Investment assets			
Pooled Investment Vehicles:			
731,971	Equities	14	802,181
301,924	Fixed Income	14	319,890
133,768	Property Unit Trusts	14	133,483
197,888	Multi Asset	14	199,000
18,813	Infrastructure	14&22	24,066
58,508	Private Debt	14&22	67,733
Non-Pooled Investments:			
107,468	Diversified Alternative	14	102,581
1,180	Private Equity	14&22	838
5,700	Property – Freehold	3&14	5,945
22	Cash Deposits	19	6
16,367	Cash Equivalents	19	25,218
3,131	Other Investment Balances	18	3,199
Investment Liabilities			
-919	Other Investment Balances	18	-1,428
1,575,821	Net Investment Assets / (Liabilities)		1,682,712

Net Asset Statement			
2022/23 £000		Notes	2023/24 £000
Current Assets			
626	Contributions Due	18	5,134
605	Other Current Assets	18	645
8,753	Cash Balances	19	4,007
Current Liabilities			
-717	Unpaid Benefits	18	-759
-823	Other Current Liabilities	18	-1,089
8,444	Net Current Assets / (Liabilities)		7,938
1,584,265	Net Assets of the Scheme available to fund Benefits at the Period End		1,690,650

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2024. 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. The FSS is reviewed in detail at least every three years in line with the triennial valuation. The latest statement is included as Appendix I to this report.

The FSS has been developed along with the Fund's actuary Barnett Waddingham, using data from the triennial valuation.. The FSS is fully compliant with statutory guidance..

The FSS links to the Investment Strategy Statement, as it forms the basis for our investment strategy.

The production of a Funding Strategy Statement is important, 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, as taken from Hymans Robertson LLP. This is in addition to the expertise of the members of the Pension Fund Panel and Council officers. As a result, the ISS is fully compliant with statutory guidance..

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 E 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 J.

Knowledge and Understanding Policy and Framework

In 2021, CIPFA issued an updated Code of Practice on LGPS Knowledge and Skills. An updated Knowledge and Skills Policy and Framework has been published to demonstrate that the Fund has adopted the revised Code of Practice. The current version can be found in appendix F.

Stewardship report in line with the UK Stewardship Code

The Financial Reporting Council (FRC) published the UK Stewardship code, setting out twelve 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 Stewardship Report is set out in Appendix D.

A photograph of St Paul's Cathedral in London, viewed through the columns of a classical portico. The cathedral's large dome and classical facade are visible in the background. The foreground is dominated by the massive, fluted columns of the portico, which are slightly out of focus compared to the cathedral in the distance. The sky is a clear, bright blue.

Contacts and Glossary

ROYAL BOROUGH OF GREENWICH
PENSION FUND

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 assumptions that are prudent 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.

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 is 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.

BREXIT

Brexit is an abbreviation for "British exit," referring to the U.K.'s decision in a June 23, 2016 referendum to leave the European Union (EU).

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.

COVID-19

Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus.

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.

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

ESG stands for Environmental, Social, and Governance. ESG covers a wide range of issues that may have a direct or indirect impact on how an organization is managing risks and opportunities related to environmental, social, and governance criteria (sometimes called ESG factors).

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.

GDP – Gross Domestic Product

Gross Domestic Product (GDP) is a broad measurement of a nation's overall economic activity. GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

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.

PMI

The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about

current and future business conditions to company decision makers, analysts, and investors.

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.

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 / 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.

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.

TCFD

The Task Force on Climate-related Financial Disclosures, which aims to improve the disclosure of

the impact organisations have on the global climate and help organisations understand climate related risks

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.

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.

COMMUNICATIONS

The Office of the Pensions Ombudsman

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Tel: **0800 917 4487**

Website: **pensions-ombudsman.org.uk**



Complaints and Advice

The Money and Pensions Service

120 Holborn, London EC1N 2TD

Tel: **01159 659570**

Website: **moneyandpensionsservice.org.uk**



Asset Pool Operator

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Investment Enquiries

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Administrative	A												
Contributions	A1	Failure to collect or inaccurate record-keeping leading to potential loss of income and liquidity.	2	4	8	<p>Employers monitored against requirements of relevant legislation.</p> <p>Employers monitored against requirements of Fund KPIs.</p> <p>Overdue contributions actively chased from employers</p> <p>Persistent, significant or negligent failure reported to the Pensions Regulator</p> <p>Cashflow forecast monitored.</p>	This is undertaken monthly.	2	2	4	↔	Head of Pensions Admin.	20/02/24
Data Protection (GDPR)	A2	Data is lost or misused leading to service disruption and / or breach of Data Protection legislation.	3	3	9	<p>Password / encryption.</p> <p>Files transfers.</p> <p>Back-ups.</p> <p>Training.</p>	<p>Data is backed up on a daily basis in a secure manner for 30 days.</p> <p>Files containing member information are encrypted/password protected prior to transmission.</p> <p>Staff are trained on the data they can and cannot provide.</p> <p>Use of secure email portals.</p>	2	2	4	↔	Assistant Director of Finance - Pension Admin	03/02/23
Data Quality	A3	Poor maintenance and procedures leading to inaccurate data base with subsequent information degradation.	3	3	9	<p>Document internal procedures and processes and undertake internal training to prevent errors within pension team. Checked against human resources system iTrent and every other year and periodically traced.</p> <p>Investigate returned mail.</p>	<p>Training notes/checklists used for most tasks, and checked by senior officers.</p> <p>All returned mail investigated and gone away indicator used where necessary.</p>	3	3	9	↔	Head of Pensions Admin.	20/02/24

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						<p>Tracing agencies.</p> <p>Annual data cleansing.</p> <p>ICconnect used for data transfer from Itrent payroll to Pension System for all relevant organisations paid by Greenwich Payroll team and in process of being rolled out to external payroll providers. This matches data on a monthly basis. Problems can be immediately recognised.</p> <p>Data Quality Measure and Improvement</p> <p>Employer engagement / training to prevent future errors.</p> <p>Master list of employer contacts updated annually.</p>	<p>Further bulk address tracing due to be carried out, individual DWP traces can be carried out as and when required.</p> <p>Annual Data cleanse undertaken as part of the year-end Annual Benefit Statement preparation.</p> <p>Reports being run by management for all organisations, discrepancies investigated when loading.</p> <p>Data Quality measured and scored in line with TPR guidelines in September 18, report provided with suggested resolution for any issues. Data improvement plan under review to incorporate address tracing using a tracing agency for relevant members.</p> <p>Written information factsheet provided with year end return for employers with external payroll. Officers available for employer training as and when required. Contact sheets issued to employers for review Feb 2021.</p>						
Fraud by Member	A4	An act to gain a benefit not lawfully due.	3	2	6	<p>National Fraud Initiative.</p> <p>Payslips twice a year.</p>	The fund participates in the NFI exercise of	2	2	4	↔	Head of Pensions Admin.	20/02/24

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						Primary documentation (birth / marriage / death certificates).	cross-matching personal details. Pensions ceased on any returned mail pending investigation. Pensions use the Tell Us Once notification service in respect of death notifications. Pension team access the LGPS NI database for cross matches for membership across boroughs.						
Fraud by Staff	A5	An act to gain an unlawful financial benefit.	3	2	6	IT Audit log. Peer review. Locked secure records. Declaration of interest.	The pension team has a dedicated workspace. Management supervision is used as part of the peer review process. The work of the section is reviewed periodically by External and Internal audit.	1	2	2	↔	Assistant Director of Finance - Pension Admin	03/02/23
Business Continuity (including ICT)	A6	Unavailability of premises and/or ICT leading to being unable to administer pension payroll and administrative records.	2	4	8	Business continuity arrangements.	All staff are able to work from home. Arrangements for non-pension specific premises issues and the core ICT environment are managed through the Corporate Risk Register. The pensions system itself has regular backups. The Pension system contract was renewed for 5 years in August 19. This will be monitored by senior management	3	4	12	↔	Assistant Director of Finance - Pension Admin	03/02/23

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Making payments	A7	Incorrect calculations leading to payment errors.	2	3	6	<p>Training.</p> <p>Peer review.</p> <p>IT test system</p>	<p>The auditor reviews the peer review process.</p> <p>Benefit calculations are double checked before they come into payment with appropriate sign off levels in place.</p> <p>For any changes to pension entitlements under legislations or guidance or changes to the pension system calculations a test environment is used for user acceptance testing before going live, to ensure payment calculations are correct.</p> <p>Staff are trained and updated checklists provided. Rec done quarterly</p>	1	3	3	↔	Head of Pensions Admin.	20/02/24
Over-reliance on key staff	A8	Reliance on critical knowledge centred on few individuals leading to risk of loss of skills and knowledge with those staff.	4	3	12	<p>Training.</p>	<p>New staff have been recruited and training given. Training is being provided to a wider number of staff and work has been reallocated to remove any single points of failure.</p>	3	3	9	↔	Assistant Director of Finance - Pension Admin	03/02/23
Provision of information	A9	Failure to administer scheme appropriately leading to incorrect decisions being made by members and the Fund that could adversely financially affect various stakeholders.	3	4	12	<p>Specific post with responsibility for technical updates.</p> <p>Receiving appropriate training in all current and new technical areas.</p>	<p>Various members of staff including the Head of Pensions and Pensions Operations Manager attend seminars, training sessions, receive updates from professional advisors and circulations from the regulatory bodies.</p> <p>The Assistant Director of Financial Operations is the</p>	2	2	4	↔	Head of Pensions Admin.	20/02/24

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							secretary of the JPG technical sub group.						
Third Party Failure	A10	Failure of fund manager / custodian.	1	3	3	<p>Selection and monitoring.</p> <p>Reports on internal controls received for each fund manager.</p> <p>Audit reports.</p>	<p>Investment consultant undertakes continued research and monitoring of investment managers.</p> <p>Officers Meet with Managers and Custodian twice yearly.</p> <p>Assets are held on a nominee basis by the custodian.</p>	2	2	4	↔	Treasury & Pensions Manager	26/02/2024
Completeness of Published Accounts	A11	Failure to disclose relevant facts in the Report and Accounts or during the audit leading to qualification of the accounts.	2	4	8	<p>Training of staff involved in production of the accounts.</p> <p>Review of accounts by senior management before submission to external audit.</p>	2022-23 accounts is completed, however was late due to audit issues.	2	3	6	↑	Director of Finance & IS Officer	26/02/2024
Accuracy of published accounts	A12	Production of incorrect accounts, notices and publications leading to qualification of the accounts.	2	4	8	<p>Training of staff involved in production of the accounts.</p> <p>Peer review accounts before submission to external audit.</p>	2022-23 accounts were unqualified.	2	4	8	↑	Director of Finance & IS Officer	26/02/2024
Poor Panel and Local Pension Board (LPB) succession planning	A13	Failure to plan for turnover in Panel / Board members leading to vacant posts on panel and/or shortfall in knowledge and skills of Panel/ Board members.	3	3	9	<p>Awareness of known future events with potential to impact on Panel membership e.g. local elections.</p> <p>Rolling training programme for Panel Members including induction for new Members.</p>	Current Board members has been given induction training. Knowledge and Understanding Policy agreed and adopted.	2	3	6	↓	Treasury & Pensions Manager	26/02/2024
Insufficient delegation from Members to Officers	A14	Failure of Panel to delegate matters, which should be undertaken by officers, delaying taking of important decisions by Members.	2	3	6	<p>Ensure Scheme of Delegation in place.</p> <p>Rolling review of Officer/ Member delegation.</p>	Fund managers meetings delegated to officers.	1	2	2	↔	Treasury & Pensions Manager	26/02/2024

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Completeness of Published pension board Report and information	A15	Failure to disclose relevant facts in the Report leading to criticism by the Pensions Regulator, CLG and other national organisations.	2	4	8	<p>Training of staff involved in production of the Report.</p> <p>Officers involve in regular Pension forum and discussion with Peers</p> <p>Review of Report by the Finance Manager</p>		2	4	8	↕	Treasury & Pensions Manager	26/02/2024
Discrimination	A16	Failure to provide information in a suitable format where requested (e.g. braille, large print, other language, etc.).	2	3	6	Investigate need to provide information in an alternative format and source appropriate suppliers to be used by the Council where required.	Reports all provided in the standard variety of formats as required by RBG corporate policy.	1	3	3	↔	Head of Pensions Admin.	20/02/24
Compliance / Regulatory	C												
Austerity	CI	Leading to employers getting into financial difficulties, leading to an increase in member opt outs.	5	4	20	Employer/member communication.	<p>The level of member opt outs is being monitored, however auto enrolment has increased the net membership.</p> <p>Next auto enrolment intake in 2025.</p>	4	3	12	↔	Assistant Director of Finance - Pension Admin	03/02/23
New Employer Types	C2	Increase in employers requiring enhanced service.	5	4	20	<p>Professional advice.</p> <p>Employer engagement.</p> <p>Provision of employer training on joining the Fund and ongoing where required.</p>	<p>Increase in academies / 3rd tier small contractors generating additional technical work in determining employer rates and monitoring.</p> <p>Provision of RBG payroll services to external bodies insures information provided in correct format.</p> <p>Requirement for new employers to continue to provided member data in required format.</p> <p>Training for all members as requested.</p>	4	3	12	↔	Assistant Director of Finance - Pension Admin	03/02/23

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Scheme Change	C3	Leading to large number of opt outs	5	4	20	Monitoring. Communication. Training.	Further scheme changes will be monitored and communicated as appropriate in the future.	3	3	9	↔	Head of Pensions Admin.	20/02/24
Conflicts of Interest	C4	Failure to recognise conflicts of interests that are likely to prejudice an individual's ability to perform their role on either the Panel or LPB.	1	4	4	Conflicts policy. Members Code of Conduct. Member and LPB registers of personal and financial interests. Governance training.	Member declarations formally recorded at each Panel meeting and as part of the published accounts. Material Related Party Transactions published in accounts.	1	3	3	↔	Veronica Johnson - Head of Corporate Governance and Democratic Service	20/02/24
Socially irresponsible business practices	C5	Failure to manage the Fund in line with socially responsible business practices as well as Council or Fund policies.	2	4	8	Membership of the Local Authority Pension Fund Forum. Net zero road map develop with short/ longer term actions created. Monitoring application of local policies.	Statement on socially responsible business practices outlined in Statement of Investment Principles. Regular review of Statement of principles Review of ISS at least every 3 years	2	2	4	↔	Treasury & Pensions Manager	26/02/2024
Key performance indicators (KPIs)	C6	Failure to have formal KPIs in place and to monitor these regularly, leading to officers being unable to produce accurate performance management reports or to provide information to CLG and others where required.	3	2	6	KPIs to be in place as per business plan.	Working ongoing to development KPIs in Administration of the Fund. Pension Board review key areas.	3	3	9	↔	Treasury & Pensions Manager	26/02/2024
Employer	E												
Cessation	E1	Employer ceases to make contributions to the fund, having an inadequate alternative funding, bond or guarantee in place, generating a deficit to	5	3	15	Monitor Risk profile: <ul style="list-style-type: none"> Employer Type Funding Source Strength of covenant Open/closed Accounts/credit 	All employers subject to financial health check. Funding Strategy Statement band like employers together.	5	3	15	↕	Treasury & Pensions Manager	17/05/2023

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		be recovered by residual employers				<ul style="list-style-type: none"> Admin records Bond/guarantee Deficit recovery period Active Members 	<p>Consideration of bond / guarantee is given for new employers.</p> <p>New Employer Flexibilities put in place which enable employers to put into Debt Spreading Agreements (DSA's) or Deferred Debt Agreements (DDA's) to offer further protection.</p>						
Contribution	E2	<p>Shortfall arising from change in employer's membership / status.</p> <p>Employee participation rate falls.</p>	3	3	9	<p>Employers reminded to advise administering authority of changes.</p> <p>Risk profiling.</p> <p>Effective communication with stakeholders.</p>	Monitoring of employers' active members.	3	2	6	↔	Treasury & Pensions Manager	17/05/2023
Employer covenants	E3	Failure to monitor employer covenant, or being unaware of changes within an employer (e.g. changes to membership or closing to new entrants) leading to inappropriate funding strategy and risk of unrecovered debt on cessation of participation in the Fund.	3	3	9	<p>Employer 'health check' spreadsheet developed and maintained by officers.</p> <p>Employer engagement.</p>	<p>All employers subject to periodic financial health check including review of covenant arrangements.</p> <p>A more in depth reviews is completed at every formal valuation cycle.</p>	3	3	9	↔	Treasury & Pensions Manager	17/05/2023
Employer database	E4	Failure to maintain employer database leading to information being lost or issued to the wrong person.	2	3	6	<p>Employer engagement.</p> <p>Develop and maintain electronic employer contacts list.</p>	This is verified annually.	1	2	2	↔	Head of Pensions Admin.	17/05/2023
Investment	I												
Asset Concentration	II	Under performance in an over concentrated area leading to reduced funding level and increase in employer contributions.	3	3	9	<p>Regulations.</p> <p>Monitor against benchmark.</p> <p>Diversification.</p>	Investment managers contracted to comply with Regulations and Fund's Investment strategy statement.	3	3	6	↔	Treasury & Pensions Manager	17/05/2023

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							This is reviewed quarterly against the benchmark allocation. Any under-performancing managers are reviewed by Panel.						
Asset / Liability mismatch	12	Asset mix insufficient to generate funds to meet liabilities resulting in lower funding level, inappropriate deficit recovery period and increased employer contributions.	4	4	16	Asset / liability study. Diversification. Frequent monitoring.	The last asset/liability completed in 2020/21. The next one will start in 2022/23 after the formal valuation results.	2	2	4	↔	Treasury & Pensions Manager	17/05/2023
Corporate Governance	13	A stock held by the Fund performs poorly as a result of poor governance structure leading to a reduction in value.	3	3	9	Stewardship Code. Membership of Local Authority Pension Fund Forum.	Primary fund managers comply with the Stewardship Code. LAPFF alert funds to specific issues for action. Issues will be raised at panel meetings. ESG rating are available for some managers Performance Reports presented to both Panel and Board quarterly. Board undertake scrutiny role with oversight of decisions taken by Panel including asset allocation decisions.	2	2	4	↔	Treasury & Pensions Manager	17/05/2023
Counterparty Default	14	The counterparty to a transaction defaults on their element leading to a potential loss for the fund.	2	3	6	Custodian. Review of credit ratings of counterparty's Legislation.	All transactions are reconciled between the investment manager and the custodian.	1	2	2	↔	Treasury & Pensions Manager	17/05/2023
Currency	15	A sharp and adverse movement in the currency exchange rate leading to a reduction	3	3	9	Investment advice. Diversification.	Fund managers can hedge against	3	3	9	↔	Treasury & Pensions Manager	17/05/2023

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		in the value of non-sterling denominated assets.				Increasing amount non-sterling holdings will increase our currency risk	currency fluctuations if required. The Fund Investment adviser keep under review.						
Funding Risk	17	Investment strategy inconsistent with funding plan leading to incorrect employer contribution rate.	3	4	12	Triennial / interim review linked with funding strategy. Asset liability study. ISS (Investment Strategy Statement)	New strategy implemented. Funding level at least formal valuation is 97%	3	3	9	↔	Treasury & Pensions Manager	17/05/2023
Illiquidity	18	Assets sold at depressed valuation / investment opportunity missed. Inability to realise investments to pay benefits.	4	5	20	Limit on illiquid assets. Cash flow forecast.	Property and Private Equity represent a relatively small part of the portfolio. The Fund is now cashflow negative. This is monitored weekly. New asset allocation will make sure there sufficient investment income being return to the Fund to meet benefits payment. Officers will make sure cashflow is for a period of two years	3	4	12	↔	Treasury & Pensions Manager	17/05/2023
Investment Return	19	If less than actuarial assumption could lead to increased deficit and additional contributions.	4	4	16	Diversified portfolio. Periodic asset liability study. Extended deficit recovery period.	Returns are monitored monthly and reported to the Pension Fund Panel quarterly. Funding Strategy Statement is consistent with triennial valuation.	3	4	12	↔	Treasury & Pensions Manager	17/05/2023
Manager Performance	110	Fund manager underperforms benchmark.	3	3	9	Manager selection and monitoring. Appropriate benchmarks.	Quarterly monitoring reports are made to Panel and action undertaken in respect	3	3	9	↕	Treasury & Pensions Manager	17/05/2023

APPENDIX A

Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
							of poorly performing managers. Manager performances have been in line with their respective benchmarks in the medium term.						
Stock Lending	111	A counterparty to stock lending could default leading to a loss of fund assets.	1	1	1	Review of stock lending policy.	Current policy is that there is no direct stock lending. There may be stock lending within the underlying assets of unithised vehicles. Potential loss to the fund is minimal however .	1	1	1	↔	Treasury & Pensions Manager	17/05/2023
Systemic Risk	112	Financial market volatility affecting multiple asset classes leading to sharp reduction in assets.	3	5	15	Diversification. Liquidity Levels. Custody arrangements.	Late Feb 2020- saw financial market reaction to the spread of coronavirus. The FTSE 100 index made a loss of 8.2% in the 4 days to 28/02/2020 or the equivalent of £164bn being wiped off the value of the U.K's Leading Companies. More recently, a potential invasion of Ukraine by Russia could be a major risk-off event and can send ripples across a number of markets.	3	4	12	↕	Treasury & Pensions Manager	17/05/2023
Treasury Investment	114	Surplus contributions not invested.	3	1	3	Contributions monitoring. Cash flow forecasts.	A detailed cashflow forecast is maintained.	2	1	2	↔	Treasury & Pensions Manager	17/05/2023
Transition	115	A transfer of assets between managers is undertaken without sufficient controls in	3	3	9	Pre-transition report. Post trade report.	Each transition that the fund has undertaken is fully reconciled to ensure	2	2	4	↔	Treasury & Pensions Manager	17/05/2023

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
		place leading to a loss of assets.				Reconciliations.	integrity of the transfer.						
Transition Managers	116	Assets allocated to transition managers for a longer period of time than intended, potentially leading to an imbalanced asset allocation.	3	3	9	Investment strategy review finalised and assets allocated appropriately.	All Funds have now been embedded with new managers. Matching the asset allocation.	1	1	1	↔	Treasury & Pensions Manager	17/05/2023
Investment return	117	Risk of missing opportunities to maximise returns.	1	4	4	Quarterly review of investment performance. Periodic review of asset allocation structure.	Advice taken on regular basis from investment advisers regarding investment performance and asset allocation including rebalancing	1	3	3	↔	Treasury & Pensions Manager	17/05/2023
Management information	118	Insufficient management information available about the position of the Fund leading to uninformed decision-making.	1	4	4	Provision of management reports to Panel. Training programme for Members and Officers. performance reporting reviewed.	Regular management reports presented to Panel covering a range of Pension Fund issues. Formal rolling training programme in place for Members and Officers. An annual Business Plan is prepared to ensure timely and relevant information is updated.	1	3	3	↔	Treasury & Pensions Manager	17/05/2023
Investment decisions	119	Delays in implementation of decisions reducing the effectiveness of the decision.	2	4	8	Panel minutes recording formal decisions. Scheme of delegation in place for officers to carry out decisions.	Regular Panel meetings mean Members have the opportunity to request updates on the implementation of decision taken.	1	4	4	↔	Treasury & Pensions Manager	17/05/2023
Manager mandates	120	Insufficient scrutiny of manager mandates and terms of business leading to inappropriate fee levels or other costs.	2	3	6	Review of manager mandates. Review of fee invoices.	Mandates reviewed on a regular basis. Invoices from managers reviewed prior to payment. Fund have legal advisor that can review new mandates	1	3	3	↔	Treasury & Pensions Manager	17/05/2023
London CIV	121	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address	3	2	6	Regular business updates Panel's chair attend London CIV AGM	Regular review of London CIV developments. The London CIV have increase their staffing	3	3	9	↔	Treasury & Pensions Manager	17/05/2023

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
		underachieving fund managers					level as new fund is launch.						
ESG Risk	I22	Insufficient oversight in relation to the environmental, social and governance (ESG) impact of the Funds investments.	3	4	12	ISS and RI Investment Policies to ensure that ESG factors are considered in investment decisions. LAPFF Membership Regular training on ESG and the associated risks. Fund seeks advice from Investment Advisors who incorporate ESG factors into their research.	Managers expected to engage with companies on ESG issues. Monitor that manager are voting in line with the Funds policy. Development of the Funds Net Zero Roadmap. Initial work undertaken in preparation to report in line with TCFD. Fund has made £42.5m pledge to LCIV Renewable Infrastructure Mandate. ESG incorporated a regular item in training register.	2	2	4		Treasury & Pensions Manager	17/05/2023
Liability (Demographic)	LD												
Early retirements	LD I	Frequency beyond assumption further increasing liabilities, reducing funding levels and increasing employer contributions.	3	3	9	Monitor experience. Build control into admission agreement. Employers required to pay sums where appropriate.	The Panel receives details of fund strains every 6 months.	2	2	4	↔	Head of Pensions Admin.	17/08/2023
Ill health	LD2	Frequency beyond assumption further increasing liabilities, reducing funding levels and increasing employer contributions.	3	3	9	Consider allowance per employer at the next valuation. Ill Health Liability insurance to be considered. Monitor experience. Invoice employer for excess amounts.	The triennial valuation provides details of experience versus actuarial assumption.	3	3	9	↔	Treasury & Pensions Manager	15/08/2023

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
						Build control into admission agreement.							
Longevity / Mortality	LD3	Improvement beyond assumption further increasing liabilities, reducing funding levels and increasing employer contributions.	3	3	9	Regular longevity monitoring. Prudent actuarial assumption. Compare local experience. Allow for increase.	The triennial valuation provides details of experience versus actuarial assumption.	2	2	4	↔	Treasury & Pensions Manager	15/08/2023
Liability (Financial)	LF												
Discount rate	LF1	Yields change beyond assumptions further increasing liabilities, reducing funding levels and increasing employer contributions.	3	4	12	Frequent market monitoring. Prudent assumption adoption. Hold assets matching liabilities.	The triennial valuation has set the discount rate for the next three years. The Fund is updated by our consultant as to the movement in the discount rate.	2	4	8	↔	Treasury & Pensions Manager	15/08/2023
Inflation rate	LF2	Levels different from actuarial assumptions leading to increase in employer contributions.	3	3	9	Anticipate re deficit contributions. Prudent assumption at valuation. Hold assets matching inflation linked liabilities.	The triennial valuation provides details of experience verses actuarial assumption. The fund is updated by the investment consultant as to the movement in the inflation rate. Post valuation report reviews the assumption used.	3	3	9	↔	Treasury & Pensions Manager	15/08/2023
Salary increases	LF3	Levels different from actuarial assumptions leading to increase in employer contributions.	2	3	6	Employer / Government control. Prudent assumption at valuation. Final salary / CARE.	Effect of reducing liabilities following introduction of a CARE scheme compared with a final salary scheme.	2	2	4	↔	Treasury & Pensions Manager	15/08/2023
Employer funding	LF4	Over or under cautious determination of employer funding requirements.	2	3	6	Actuarial valuation.	Employer funding requirements determined by Fund actuary.	1	3	3	↔	Treasury & Pensions Manager	15/08/2023
Liability (Other)	LO												
Regulatory Change	LO1	Regulation/legislation/ taxation changes requiring increased	2	4	8	Monitor and respond where appropriate to	The main changes are covered elsewhere within this register.	2	4	8	↔	Treasury & Pensions Manager	15/08/2023

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
		contributions/additional benefits.				Government consultations. Dialogue with employers of potential impacts. Build into valuations.	The number of changes continues to increase.						
Other	O												
Cyber Security (as per the GMT Strategic Risk Register)	OI	<p>The Royal Borough must ensure that its systems and services are protected from Cyber Security attacks and data breaches.</p> <p>Causes:</p> <ul style="list-style-type: none"> • Varying manners of accessing RBG's ICT infrastructure from both within the Council's network and via public channels • Increasing number of over privileged users working across numerous teams both internal to RBG and via third-party supplier chain. <p>Lack of Cyber Security and technical expertise within the Council to respond to misconfiguration or malicious use of systems.</p> <p>Effects:</p> <ul style="list-style-type: none"> • Threat actors gain access to Council data and systems • Temporary or permanent loss of data, sensitive data exposure in the public domain and/or reputational damage • Financial penalties imposed due to a breach of regulations • Disconnection from the Public Sector Network (PSN) and its associated services 	4	4	16	<p>Technical training for ICT staff</p> <ul style="list-style-type: none"> • Annual PSN accreditation • Annual Penetration Testing performed as part of the PSN accreditation • User awareness on phishing emails and Ransomware published on the Intranet • Separation of standard user accounts from administrative user accounts • Change from default administrative membership of the super privileged Domain Admins security group, to a needs-must membership • Web filtering and Email filtering • Patch management • Review and implementation of specialist technology to enhance security posture. • CSOC (Cyber Security Operations Centre) is now in place and is monitoring the RBG environment 24x7 for suspicious access attempts. • A new/modern backup solution which provides immutability and faster restore is now in place. 	<p>Build up a Cyber Security incident response team (CSIRT) and cyber security awareness/expertise within the ICT teams</p> <ul style="list-style-type: none"> • Role Based Access Control Matrix being developed, which will help to apply the principle of least privilege. • Council user education and awareness to develop a security conscious culture • Recent cyber security attacks on LAs have highlighted the scale of organisational impact. Work alongside National Cyber Security Centre (NCSC) and other LAs to implement best practice and enable early alerting. <p>The IT teams continue to look at the feasibility of using Network Detection and Response tooling as an additional security measure.</p>	4	5 → 4	20 → 16	↕	Sukhvinder Bansil - IT Dept.	16/08/23

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
Business Continuity (Staffing - Health epidemic)	O2	Unavailability of adequate staff levels leading to being unable to administer pension payroll and administrative records.	4	4	16	<ul style="list-style-type: none"> Key officers have the ability to work from home with access to the systems. Officers have shared roles and responsibility - so critical duties can be carried out by numerous staff. 	The Council have provided guidance for managers and Employers on the coronavirus.	3	2	6	↔	Treasury & Pensions Manager	15/08/2023
Reputational	R												
Performance	R1	The fund receives adverse publicity through holding a stock that has encountered performance issues related to corporate governance failure.	3	3	9	Stewardship Code. Membership of Local Authority Pension Fund Forum. Review of ESG policy	Primary fund managers comply with the Stewardship Code. LAPFF alert funds to specific issues for action. The fund receives information on EGS from all investment advisors.	3	2	6	↔	Treasury & Pensions Manager	24/10/23
Transactional	R2	Ultra vires action.	2	5	10	Section 151 overview.	The workings of the fund are maintained under the direction of the section 151 officer. The section 151 officer receives regular updates.	1	5	5	↔	Director of Finance & 151 Officer	24/10/23
Peer performance	R3	Investment returns below peer group funds or excessive risk levels relative to peer group leading to reputational damage for the Fund.	3	4	12	Peer performance comparison.	Comparison of performance against peers undertaken on a regular basis.	2	4	8	↔	Treasury & Pensions Manager	24/10/23
Complaints	R4	Failure to maintain appropriate records and follow correct procedures and to deal with complaints appropriately leading to reputational damage for the fund.	3	4	12	Council complaints procedure. Internal disputes resolution procedure. Employer engagement / training to address employer specific issues.	Internal disputes resolution procedure sets out clearly how complaints regarding pension scheme decisions will be dealt with. Council complaints procedure sets out	2	3	6	↔	Head of Pensions Admin.	24/10/23

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
							clearly how general complaints relating to staff performance/attitude are to be dealt with.						
Contract infringement	R5	Infringement of contracts for the supply of services to the Fund leading to reputational and financial loss.	3	4	12	Contract monitoring. Legal department review new contracts.	Contract monitoring undertaken by officers. Keep a contract registers.	2	4	8	↔	Treasury & Pensions Manager	24/10/23
Administration service cost	R6	Risk that excessive costs of administration could lead to a loss of reputation.	2	4	8	Benchmarking costs against peers and Regular performance measurement. Seeking opportunities to introduce efficiencies.	Administration is reported in the Pension Fund annual report	1	4	4	↔	Treasury & Pensions Manager	24/10/23
Business continuity	R7	Failure to maintain adequate BCM arrangement	2	4	8	RBG BCM	Kept under review	1	4	4	↔	Treasury & Pensions Manager	24/10/23
Maintaining risk register	R8	New risks are not identified and placed on risk register where appropriate. Risk register is not regularly reviewed and kept up to date.	3	4	12	Put process in place to regularly review risk register.	Panel Reviews the Risk Register on an annual basis. The Pension Board also has the risk register as a standing item at every meeting. Risk Register is a live document- any significant change is review against the register for possible inclusion. Co-ordinate with other teams for latest up to date review details.	1	4	4	↔	Treasury & Pensions Manager	24/10/23
Breaches	R9	Failure to report breaches of the law to the Pensions Regulator.	3	3	9	Training of officers, Councillors and pension board members on their legal responsibilities Ongoing monitoring of legal responsibilities and follow up training where required.	Pension Board should help stop the organisation from making breaches of regulation.	2	3	6	↔	Head of Pensions Admin.	24/10/23

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
MIFID	R10	Introduction of European Directive MIFID II results in the restriction of Fund's investment options and an increase in costs	2	2	4	Communicate any change to manager. Review any changes that can impact professional status.	Continue to Maintain an opt-up to professional status.	2	2	4	↔	Treasury & Pensions Manager	24/10/23
Skills / Resources	S												
Knowledge & Skills	S1	Ensuring Panel members have appropriate level of knowledge and skills to enable them fulfil their roles. High turnover of Councillors on Panel leading to low governance knowledge and skills.	3	3	9	Training for all members including new ones. CIPFA Knowledge & Skills Framework.	Detailed training undertaken in 2022/23 with refresher subjects covered on an on-going basis. Will continue to be reviewed on an on-going basis.	4	2	8	↕	Treasury & Pensions Manager	24/10/23
		Ensuring officers have appropriate level of knowledge and skills to enable them to fulfil their roles. High turnover of officers leading to inability to undertake required roles.	3	3	9	Training for all officers (internal/external). CIPFA Knowledge & Skills Framework. Recruitment and retention policy. Log of Training	Detailed training undertaken in 2022/23 with refresher subjects covered on an on-going basis.	1	2	2	↔	Treasury & Pensions Manager	24/10/23
		Ensuring pension board members have appropriate level of knowledge and skills to enable them fulfil their roles. High turnover of member and employer representatives on the pension board leading to inability to undertake required roles	3	3	9	Training for all pension board representatives (internal/external). Compliance with the Pensions Regulator Code of Practice knowledge and understanding requirement and as a minimum successful completion of the Pension Regulator's public service schemes training modules. Recruitment and retention policy.	Knowledge and Skills Policy and Framework agreed. New Knowledge and skills guidance from CIPFA came out in 21/22	3	2	6		Treasury & Pensions Manager	24/10/23
Resources to support staff	S2	Increase in employers leading to insufficient resources.	3	3	9	Monitor workloads.	Task management system in use to monitor workloads	3	3	9	↔	Head of Pensions Admin.	24/10/23

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Risk Category	Ref	Issue / Consequence	Initial Chance	Initial Impact	Initial* Score	Controls	Status / Comment	Current Chance	Current Impact	Current** Score	Risk level movement***	Risk Owner	Review Date
							which is reviewed by senior management. Regular management meetings between head of pensions and operations manager						
		Failure to appoint and monitor professional advisors leading to poor decision making.	2	2	4	Contract monitoring	Full list of relevant contracts provided as part of the annual business plan approved by the Panel. In line with the Competition and Markets Authority ("CMA") requirements the Fund sets objectives for its investment consultants, performance against which is reviewed by Panel annually.	1	2	2	↔	Treasury & Pensions Manager	24/10/23
Succession planning	S3	Inadequate succession planning (at all levels) leading to skills gaps following staff turnover, natural wastage or long-term absence.	2	4	8	Ensure adequate skills transfer amongst staff. Plan for skills transfer in advance of known events (retirements, elections, end of term of office, etc.).	Engagement with Committee Services on Knowledge and Skills requirements for Panel Members.	2	4	8	↔	Treasury & Pensions Manager	24/10/23

*Initial score= risk score awarded prior to the application of controls.

** Current score= risk score following the application of controls.

** Risk level movement= movement in current risk score since register was last formally reviewed by Panel.

Risk Register Scoring Mechanism

The risks that have been identified are assessed in relation to two aspects:

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

Each element is independently assessed on a scale of 1-5 (see table below). The product of the elements for each risk is calculated to give an overall score. Scores can be plotted on a matrix to determine the overall risk factor (high, medium, low). The factor will determine the level of response required by the Fund in respect of that risk.

Chance

Score	Overall Chance	Definition
1	Unlikely	This event is not expected to occur
2	Rare	The event may occur only in exceptional circumstances
3	Possible	The event might occur at some time
4	Likely	The event will probably occur in most circumstances
5	Almost Certain	The event is expected to occur in most circumstances

Impact

Score	Overall Impact	Definition
1	Negligible	The event should cause little or no effect to the Fund
2	Minor	The event should have a minor effect upon the Fund
3	Moderate	The event should have a moderate effect upon the Fund
4	Major	The event should have a major effect upon the Fund
5	Very Significant	The event should have a very significant effect upon the Fund

Matrix

		Impact				
		5 V Significant	4 Major	3 Moderate	2 Minor	1 Negligible
Chance	5 - Almost Certain	25	20	15	10	5
	4 - Likely	20	16	12	8	4
	3 - Possible	15	12	9	6	3
	2 - Rare	10	8	6	4	2
	1 - Unlikely	5	4	3	2	1

Risk Factor	Management of Risk
16 – 25 Significantly High Risk	Senior management monitoring
11 – 15 High Risk	Management develop action plan / monitoring
6 – 9 Medium Risk	Routines enhanced by specific procedures
0 – 5 Low Risk	Routine procedures

Governance Compliance Statement

Introduction

This is the Governance Compliance Statement of The Royal Borough of Greenwich Pension Fund which is administered by The Royal Borough of Greenwich, the administering authority. The Statement details the governance arrangements in place to ensure that effective and efficient management of the Fund.

Regulatory Framework

The Local Government Pension Scheme (Administration) Regulations 2013 paragraph 55 requires all administering authorities to produce a Governance Compliance Statement. This statement must set out:

- (a) whether the authority delegates its function, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- (b) if the authority does so—
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and, if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying, and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

Delegation Arrangements

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund. Elected Members are therefore, responsible for the stewardship of the Fund. This responsibility has been

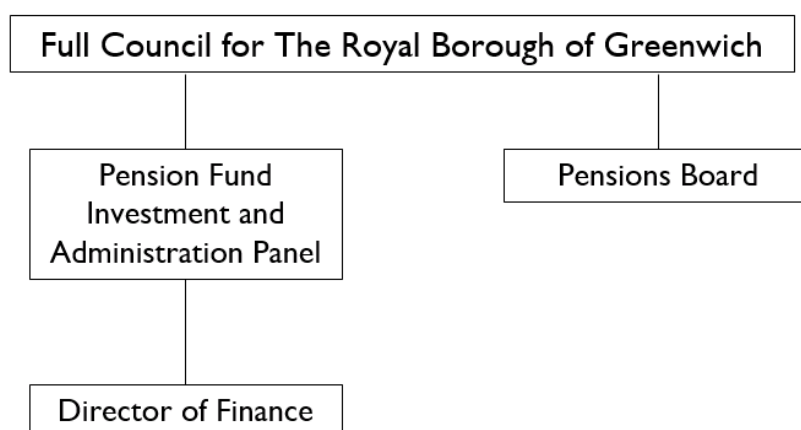
delegated to the Pension Fund Investment and Administration Panel, a sub-committee of Council.

The Royal Borough of Greenwich Local Pension Board was established in accordance with Section 5 of the Public Service Pensions Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended). The Board was established by the Pension Fund Investment and Administration Panel under delegation from the Administering Authority and operates independently of the Panel. Its purpose is to assist the Administering Authority in its role as a scheme manager. The Board was established on 1 April 2015.

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.

Governance Structure

The table bellows illustrates the governance structure in place for The Royal Greenwich Pension Fund.



Purpose

Pension Investment and Administration Panel

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 Services 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.

The table in Appendix B explores the various functions in relation to the Pension Fund Investment and Administration Panel's delegated level. The table splits the functions into three categories (management arrangements, corporate governance and other) and states the responsibilities of the Pension Fund Investment and Administration Panel, the Director of Finance and Fund Managers in respect of the functions.

Local Pension Board

The purpose of the Board is to:

- Assist the Royal Borough of Greenwich Administering Authority as Scheme Manager:
- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS

- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- Any such other matters as the LGPS regulations may specify.
- Secure the effective and efficient governance and administration of the LGPS for the Royal Borough of Greenwich Pension Fund
- Provide the Scheme Manager with such information as it requires, to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

Representation and Voting

Pension Investment and Administration Panel

The Pension Fund Investment and Administration Panel consists of four Greenwich Councillors with full voting rights - three members of the majority party and one opposition party member. Representatives from admitted bodies and the trade unions are invited to participate as members of the Panel, but do not have voting rights.

Local Pension Board

The Pension Board consists of four members, each with voting rights. These members are made up of two member representatives and two employer representatives. There are no other representatives.

Member representatives shall either be scheme members or have the capacity to represent scheme members of the Fund.

Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity.

Substitutes may not be co-opted to join.

A chair and vice-chair are appointed for the Board by the administering authority. These roles will be filled by one member representative and one employer representative.

Meetings

Pension Investment and Administration Panel

The Pension Fund Administration Panel convenes a minimum of four times a year. More meetings are convened when necessary.

The quorum for meetings of the Pension Fund Investment and Administration Panel is 2.

Local Pension Board

The Board will meet, as a minimum, two times a year. The chair of the Board, with consent from the Board members, may call additional meetings.

A meeting will be considered quorate when at least 50% of both member and employer representatives are present.

Access and Publication

Pension Investment and Administration Panel and Local Pension Board

Details of the Pension Fund Administration and Investment Panel and Local Pension Board meetings (including minutes and agendas) are sent to Trustees and published on the Royal Greenwich website a minimum of five clear days before the meeting date. All members have equal access to papers. Meetings are held at the Town Hall and are open to the public.

Details of historic meetings and documentation, for example Pension Fund Annual Reports and Annual Accounts are available on the Royal Greenwich website. A Business plan is produced each year, which details the areas to be covered in each meeting – this is also available on the website.

Training

Pension Investment and Administration Panel and Local Pension Board

Induction training is completed upon appointment to the Panel/Board. A rolling training schedule is specified in the annual business plan. This training is undertaken in line with CIPFA's Knowledge and Skills Framework. A training log is maintained by officers and Panel/Board Members are notified of any

relevant training they may wish to undertake. An annual training day also takes place which covers various relevant topics.

Expenses

Pension Investment and Administration Panel

Members expenses are reimbursed in line with the Royal Greenwich Members Allowance Scheme (Part 6 of The Royal Greenwich Constitution) which is updated annually and available on the Royal Greenwich website.

Local Pension Board

The Board is provided with adequate resources to fulfil its role. In doing so, the budget for the Board is met from the Fund and determined by the Board seeking approval from the Section 151 officer for any expenditure it wishes to make.

Scope

Pension Investment and Administration Panel

Trustees work in a multi-disciplined role with regards to the scope of areas they review. Panel members oversee a broad range of key risks and activities pertaining to the fund. For example, the Pension Investment and Administration Panel review administration items such as early retirements alongside investment and performance related reporting including quarterly manager performance and the quarterly and annual accounts for the Fund. The Panel also reviews governance issues and receives the Governance Compliance Statement and FRC UK Stewardship Code policies annually. The Panel undertakes a rolling training programme each year, which focuses on areas including financial markets and product knowledge, accounting and auditing standards, investment performance and risk management and pensions legislative governance context.

Local Pension Board

Board members also fulfil a broad role, covering areas from scheme administration arrangements, Environmental, Social and Governance policies and investment strategy and performance. The board also receives training in a broad range of areas including financial markets and product knowledge,

actuarial methods, standards and practices, accounting and auditing standards and investment performance and risk management.

Statement Review

This Governance Compliance Statement will be reviewed by the Administration and Investment Panel on an annual basis and when material changes occur. Any revisions to this statement will be approved and published by the Pension Fund Investment and Administration Panel.

Governance Compliance Statement

The table below demonstrates the extent to which the delegation of functions complies with the guidance given by the Secretary of State.

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
Structure	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	✓	Pension Fund Investment and Administration Panel
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✓	All employers entitled to attend. Trade Union observers represent members. The Local Pension Board includes two employer representative and two scheme member representatives.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	n/a	No secondary committee or panel has been established.
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	n/a	No secondary committee or panel has been established.
Representation	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers such as admitted bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers 	<p>✓</p> <p>✓</p> <p>✓</p>	<p>iii) The Panel has considered this issue and there has been no requirement, given the nature of the other advice provided</p>

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
	iv) expert advisors (on an ad-hoc basis).	✓	
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	n/a	
Selection and Role of Lay Members	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	✓	Selected via Council AGM or General Purposes Committee. Training is offered. Terms of reference provided.
	That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	✓	Standing item on agenda
Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓	Stated in the Governance Compliance Statement– Royal Borough of Greenwich Pension Fund Investment and Administration Panel
Training, Facilities and Expenses	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	✓	Stated in Governance Policy Statement – Delegation (Other). Members Allowances are disclosed in Part 6 of The Council's Constitution, which is available on the Royal Greenwich website.
	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	✓	

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	✓	The administering authority has adopted the CIPFA Knowledge and Skills Framework. A rolling training programme is built into the annual business plans for both Panel and Board. Additional training is also offered as and when appropriate and a training log is maintained by officers.
Meetings (frequency / quorum)	That an administering authority's main committee or committees meet at least quarterly.	✓	Stated in Governance Policy Statement – Royal Borough of Greenwich Pension Fund Investment and Administration Panel & Pension Board.
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	n/a	No secondary committee or panel has been established
	That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	✓	Representation by Trade Unions on Panel plus Trade Union Liaison meetings (as apt).
Access	That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓	Committee papers are sent to members at least five working days prior to the meeting and non-confidential papers are published on the Council's website. Local Pension Board Members also receive papers and minutes at

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
			least five working days prior to meetings.
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	✓	The Panel considers a broad range of pension issues detailed in the Governance Compliance Statement.
Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	✓	Governance Statement is published on the authority's website and referred to within the newsletter with a mechanism for feedback. The Fund publishes its policy documents, including the Annual Report on the Royal Borough of Greenwich website.
Pension Board	Administering authorities should disclose the terms, structure and operating procedures	✓	Detailed in the Governance Compliance Statement and in the Terms of Reference published



ROYAL BOROUGH OF GREENWICH PENSION FUND

Stewardship Report 2023

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Introduction

Welcome to the annual Stewardship Report of the Royal Borough of Greenwich 2023.

This report has been written in line with The Financial Reporting Council's (FRC) UK Stewardship Code 2020, which comprises of a set of 12 'apply and explain' principles through which asset owners and their counterparts can demonstrate their approach to stewardship. Mirroring the FRC, we define stewardship as the "responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

The Royal Borough of Greenwich Pension Fund believes that effective stewardship is not a 'tick box' exercise. Active stewardship is fundamental for us to fulfil our purpose of providing pension benefits for our members and their dependents, alongside delivering value for money for the Royal Borough of Greenwich and other employers within the Fund.

This report sets out how our purpose, values and investment beliefs influence our stewardship approach to support the needs of our members and other stakeholders.

Responsible investment, in particular climate risk, continues to dominate the Local Government Pension Scheme (LGPS) and broader investment landscape with environmental, social and governance (ESG) issues at the forefront of much of the work we have undertaken this year. As asset owners we see stewardship as a key factor in exploring the risks and opportunities posed by ESG related issues.

This report provides details of our stewardship activities in 2023 and their outcomes. It aims to reflect upon areas of achievement and assess where further improvements are needed. We will continue to report on our stewardship activities moving forward and we welcome feedback on our work undertaken thus far.

Foreword from the Chair of the Pension Investment and Administration Panel

Welcome to the Annual Stewardship Report of the Royal Borough of Greenwich Pension Fund, we hope this report is a useful exposition of our responsible investment activities.

The Fund has long been an advocate of investing sustainably and the importance of active stewardship.

As a long-term investor we wish to deliver a sustainable pension fund for all stakeholders. It is therefore in the best long-term interest of our members and employers and, as such, part of our fiduciary duty to take ESG issues seriously and consistently into consideration as well as integrate them into all investment decisions.

In 2022, we made a commitment for the Fund to be carbon neutral and achieve a net zero target date of 2040 alongside a commitment to explore options for reaching this target more quickly. This ambition is not just about reducing the emissions from the portfolio, it's also about real world changes and investing in green impact investment.

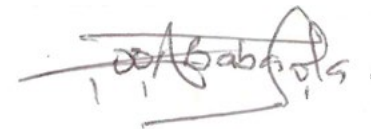
We are proud of the outcomes and effective actions we have undertaken and expect our approach to continue to evolve as we continue to engage in collaboration with strategic partners such as the London CIV, Local Authority Pension Fund Forum and fund investment managers to drive change and help the Fund achieve its policies and ambitions that are set out in this statement.

The statement is organised according to the 12 principles of the UK stewardship Code. The report provides an overview of our stewardship and responsible investment activities during 2023 and the action we took. We believe that this statement demonstrates the rigorous responsible investing standards we have set ourselves and we will continue to adopt best practices, so leading to sustainable benefits for the economy, the environment and society.

Finally, I would like to take this opportunity to thank my colleagues on the Panel, Local Pension Board and our officers for ensuring that the Fund continues to be managed effectively and that our Fund members continue to receive an excellent service.



Cllr Olu Babatola



Chair of the Royal Borough of Greenwich Pension Fund Investment and Administration Panel

Purpose and Governance

ROYAL BOROUGH OF GREENWICH
PENSION FUND STEWARSHIP REPORT



Principle 1

Purpose, strategy, and culture – signatories' purpose, investment beliefs, strategy and culture which creates long term benefits leading to sustainable benefits for the economy, the environment and society.

Context

The Royal Borough of Greenwich Pension Fund

The Royal Borough of Greenwich Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by the Public Services Pension Act 2013 and is one of the largest pension schemes in the UK. It is run for local government employees and people working for other employers who are able to participate in the scheme. It is a defined benefit scheme, designed to provide retirement benefits for its members. Scheme regulations are approved nationally by Parliament however the LGPS is administered locally by 86 local pension funds across England and Wales.

The LGPS 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.

The Royal Borough of Greenwich Pension Fund is an administering authority for the LGPS and as at 31 December 2023 comprised of:

- 68 active employers
- 26,911 members, of which 8,632 were actively contributing into the Fund, 8,448 were drawing benefits and the remainder had rights to deferred benefits.
- Net assets worth £1.65bn

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 (the 'Panel') various powers and duties in respect of its administration of the Fund. The Panel is the formal decision-making body of the Fund.

In 2015 The Local Pension Board (the 'Board') was established in accordance with Section 5 of the Public Service Pensions Act and under regulation

106 of the Local Government Pension Scheme Regulations 2013 (as amended). 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.

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. This is further delegated to the Business Change Accountancy (Treasury and Pensions) and Pension Administration Teams.

Further detail regarding the Funds governance structure, resources and incentives can be found under Principle 2 within this report.

Our Purpose

The purpose of the Fund is to provide an efficient and effective pension scheme to deliver retirement benefits to members when they fall due. The fundamental functions of the Fund are:

- To provide retirement benefits (pensions, lump sums, and other benefits) to Scheme members when they fall due.
- To enable primary contribution rates to be kept as nearly constant as possible and at reasonable cost to all relevant parties (such as the taxpayers, scheduled and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency.
- To seek investment returns which should be assessed considering the risk profile of the Fund and employers.
- To safeguard the assets of the Fund by ensuring strong corporate stewardship and oversight

Furthermore, the purpose of the Fund is to ensure that our members can access clear and accurate information to plan for their retirement. The Fund is accountable to its members, employers, and other stake holders and therefore has a duty to ensure that there is effective governance and oversight of its activities.

Values and Culture

The Pension Fund has a fiduciary duty to its members which remains its priority, and it must be made clear that the Pension Fund is a separate entity to the Royal Borough of Greenwich (RBG). However, as RBG is the largest employer within the Fund and the employers within the Fund are based within the Borough, the Fund works to ensure that it is aligned to some of the key missions set out in Royal Greenwich’s Corporate Plan, namely:

Greenwich plays an active role in tackling the climate crisis and improving environmental sustainability, in line with our commitment of being carbon neutral by 2030	The Fund operates to include environmental, social and governance (ESG) factors within its day-to-day operation. The landscape within which Local Government Pension Funds operate is now evolving with there being increasing emphasis on the importance of monitoring and engaging on ESG matters to explore the risks and opportunities presented by climate change. However, the Fund has developed its own Net Zero Roadmap with a pledge to be carbon neutral by 2040 (with the commitment to explore options to meet this target sooner).
Our Council is an adaptive organisation, enabling it to navigate the increasing number of challenges it faces while remaining financially sustainable.	The Fund’s key purpose is to ensure that it delivers retirement benefits to its members. The Fund has a responsibility to ensure that it provides value for money to its members, employers and to RBG as an employer.
Our Council works in the most efficient and effective ways possible	A key value held by the Fund is that it is run well for its members, employers and other relevant parties. Oversight and governance of the Fund is a key part of its function to ensure that it runs effectively.

Each of these key values feed into creating long term value for our beneficiaries and sustainable benefits for the economy, the environment and society.

Active stewardship is an integral part of the Funds culture. The Fund works to ensure that it is clear and concise in its communications and that it is run with integrity and transparency. Strong stewardship feeds into every aspect of the Fund from the day-to-day reconciliation work undertaken by officers to the delivery of key policies and statements, through to its investment beliefs and decisions.

Our Strategy

The world of the LGPS is ever evolving and therefore the Funds strategy is to work in a proactive and not reactive manner. This strategy, to ensure that we deliver on our values, includes:

- Ensuring that new areas of work are undertaken with due diligence so that those charged with governance have the right information – taking adequate time to research where necessary.
- Having a key focus on training, ensuring that it is timely, appropriate, and continual so that officers, Panel and Board members have the requisite knowledge and skills to undertake their roles.
- Keeping our responsibility to our stakeholders is at the heart of what we do, providing transparent and concise information in our communications and reporting is at the forefront of our investment decisions.
- Using collaboration with other counterparties as a tool for objectivity and development, applying the viewpoint that we can learn from others.
- Engaging with relevant companies, investment managers and other counterparties to use our position as owners of capital to drive change.
- Reviewing our portfolio and activities in line with environmental, social and governance issues to identify areas of risk and opportunity.



Investment Beliefs

The Royal Borough of Greenwich Pension Fund is committed to managing investments efficiently and effectively. Its key investment beliefs are:

Investment Belief	Importance
A strategic asset allocation which is regularly reviewed is key.	A suitable strategic asset allocation benchmark ensures a balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk alongside the nature of the Funds liabilities.
Managing the performance of the investment managers is key to driving the delivery of returns they have agreed to make.	Monitoring performance not only ensures that the Fund is able to fulfil its fiduciary duty to members, it also guarantees that the Fund is working within its key values – to provide a well-run fund and economic prosperity for all.
Negotiating fair fees with managers to ensure we are not paying excessive fees.	The Fund must ensure that it is run cost efficiently and that it achieves value for money while also exploring if paying higher fees will unlock opportunities with regards to higher performance.
Reviewing our investment structure and objectives in light of economic changes using asset/liability study tools.	It is vital that the Fund actively monitors its portfolio in an ever-evolving economic landscape.
Choosing investments wisely and mitigating poor performing activities in real time.	Choosing investments wisely and actively monitoring performance ensure that funding objectives are met to maintain employer rates and meet liabilities.
Training our Panel members and officers to ensure effective due diligence and focused and sound stewardship.	The Royal Borough of Greenwich recognises that effective management, governance, and decision making can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
Exploring opportunities for new ways of administering the Fund that deliver lower costs and improve returns.	The Fund has a responsibility to ensure that it provides value for money to its members, employers and to RBG as an employer alongside ensuring that it generates returns in order to meet its liabilities when they fall due. The Fund engages with its Pool partner (London CIV) to review alternative managers that can deliver the existing strategy, but at a lower fee.

Investment Belief	Importance
A robust Responsible Investment (RI) Policy is key to understand and manage Environmental, Social and Governance (ESG) issues which can impact the Fund.	ESG issues can have a material impact on the long-term risks and returns from Fund investments. A robust RI policy helps to ensure that ESG risks and opportunities are recognised, understood, and acted upon.
A rebalancing framework is important.	<p>A rebalancing policy ensures:</p> <ul style="list-style-type: none"> • The desired strategic risk/expected return across assets is maintained. • The desired allocation between various managers is maintained • Locks in some of the gains when a particular asset class/manager outperforms • Buys into 'cheap' asset classes/managers when they underperform.
Diversification is key.	The Panel reviews the nature of Fund investments on a regular basis with reference to suitability, risk and diversification.
Engagement with managers and other stakeholders is key to drive change.	The Fund recognises the importance of its role as stewards of capital. The Fund has a commitment to actively exercise its ownership rights and engage with managers and the underlying companies it invests in to promote corporate responsibility and ultimately protect the financial interest of the Fund and its members.
The economy of scale through pooling where appropriate, can generate reduced costs, improved investment opportunities and enhance responsible Investment	The Pension Fund is a Member of the London Collective Investment Vehicle (LCIV)- through collective investment with other London LGPS Funds, it hopes the combined buying power will reduce costs, improve investment returns and widen the range of available asset classes for investment – all for the benefit the Fund members

Further details regarding the Fund's Investment Strategy can be found within its Investment Strategy Statement (ISS) on the Royal Greenwich website royalgreenwich.gov.uk. The ISS is produced in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require administering authorities to prepare, publish and when appropriate, revise a written statement recording the investment policy of the pension fund.

Activity

The Funds approach to stewardship and the activities undertaken by those charged with governance are directly influenced by the Funds values and investment beliefs and supported by the governance structure in place.

Each fiscal year the Fund holds a strategic 'away day'. This day is an opportunity for Panel and Board members and officers to receive training, have round table discussions on key issues and reflect on current and future priorities for the Fund. The event is attended by the Funds investment advisors (Hymans Robertson) and actuary (Barnett

Waddingham) alongside other key counterparties pertaining to the particular focus of each event. The next strategic 'away day' is set to take place in February 2024 and will focus on natural capital, the Taskforce for Nature Related Financial Disclosures (TNFD)¹, next steps in relation to the Governments consultation on investments and pooling, alongside a presentation from the Local Authority Pension Fund Forum (LAPFF)² on their engagement work. The Funds commitment to holding this annual event reflects the Funds core values and investment beliefs namely, stewardship being an active process, making sure that those charged with governance have the right information, taking time to research and discuss key topics in depth and using collaboration with other counterparties to broaden our views and understanding.

The Fund has been on its ESG journey since 2018 (further details of the Funds ESG journey can be found under Principle 7). This year, the Fund has continued its focus on pushing forward from the initial groundwork made in relation to its environmental, social and governance (ESG) reporting, with a focus on continuing to understand

the ever-evolving landscape of ESG risks and opportunities. Some of the key work undertaken in this area this year includes:

- The inclusion of a presentation from a Fund investment manager on its ESG activities at each Local Pension Board meeting. This allows Board members to ask questions of the Funds investment managers in relation to their stewardship and engagement activities and to also gain an understanding of the different forms this can take in relation to different asset types.
- The creation of a Climate Change section included within the Funds 2022/23 annual report which reports on the Funds ESG activities aligning to the four pillars of the Taskforce for Climate Related Financial Disclosures (TCFD³), these being Governance, Strategy, Risk Management and Metrics and Targets. The inclusion of this section not only means that the Fund is actively working towards reporting in line with TCFD but also supports the Funds values by ensuring that our communication to our members is clear and concise.

¹ The Taskforce on Nature Related Financial Disclosures is a global initiative providing disclosure recommendations for organisations and finance to assess and report on their nature-related dependencies, impacts and risks and opportunities.

² The LAPFF is a member-led forum which aims to promote high standards of corporate governance through company engagement. At the time of writing forum membership comprised of 87 LGPS funds and seven pooled companies with aggregated assets under management of over £350 billion.

³ The TCFD is an international body founded with the support of G20 members. In 2017 the TCFD produced a framework for the financial sector to improve and report on climate-related financial information. The disclosures focus on four key areas - governance, strategy, risk management and metrics & targets. It is expected that LGPS Funds will be required to produce their first annual TCFD reports by December 2024.

- In 2022, the Fund, in collaboration with the LCIVs Climate Analytics Service, provided an initial set of carbon footprint data for the Fund. In July 2023 a second report in collaboration with the LCIV was presented to the Panel. This new set of data provided the Panel with a comparator of the carbon intensity of the Fund from 31 March 2022 to 31 March 2023 and showed a reduction in the carbon intensity of the Fund. Further detail on this can be found under Principle 7.
- Following on from the initial carbon footprint paper presented to Panel in July 2022, which highlighted passive equity as the largest carbon contributor to the Fund, in February this year, the Panel agreed to move £218.1m⁴ of global equities into a low carbon index tracking global equity fund. Given listed equities represented approaching 50% of the Fund's total assets, reducing the carbon emissions associated with these investments would help the Fund make material progress towards its net zero targets. This commitment also follows on from previous commitments to renewable infrastructure and private debt. These commitments reflect the Funds investment beliefs with regards to reviewing asset allocations regularly, diversification and capitalising on ESG opportunities.

This work undertaken in relation to the Funds ESG objectives supports the Funds strategy of reviewing our portfolio and activities in line with environmental, social and governance issues to identify areas of risk and opportunity.

This year the Fund has also continued to ensure that it actively reviews its funding. In March 2023 the Panel received the results of the Funds latest Triennial Valuation and agreed the Funds Funding Strategy Statement. The Panel then received a Funding Level Update in September 2023 to ensure that it continues to monitor the key risks and opportunities relating to the solvency of the Fund. This stewardship work to ensure that the Fund has requisite assets to meet liabilities reflects the fundamental functions of the Fund, working in the best interest of its members.

During the year the Fund completed a review of its training processes in line with the CIPFA Knowledge and Skills Framework. As part of this review officers undertook an analysis of the training undertaken by Board and Panel members and officers, creating an improved system for logging, and monitoring training. Officers researched various additional resources for training and ascertained a free trial of an online training platform called Enlighten provided by the Funds Actuary, Barnett Waddingham. The platform

provides access to short training videos on several topics and provides a facility to log the progress of participants. As part of the trial the Fund will be actively involved in providing feedback to help shape the platform further. During the year officers, Board and Panel members also attended the following training/conferences on subjects which actively feed into the stewardship activities of the Fund:

⁴ The actual amount moved at the point of transition was £237.5m

Date	Training/Seminar	Detail	Attended by
January 2023	Gresham House Training on Forestry as an Asset Class	A detailed overview of Forestry as an asset class with focus on key risks and opportunities.	Officers
February 2023	CIPFA Pensions Network Training on Preparing the Annual Accounts	Training on preparing the annual Statement of Accounts for the Fund.	Officers
March 2023	Barnett Waddingham - Introduction to the LGPS	Introduction to the LGPS, scheme members, key duties of employers, types of benefit, the McCloud & Sergeant judgements	Board/Panel
April 2023	London CIV Webinar in association with Northern Trust - Aftershocks - An Economic Outlook for the Balance of 2023	Views on the recent banking crisis, pre-crisis economic trends and lasting effects of Covid-19 on the economy	Officers
May 2023	London CIV and Pensions for Purpose - Impact Investing	Introduction to Impact Investing including key investing themes.	Officers
June 2023	Fidelity - Investment Training	Training covering various type of investment.	Board/Panel
July 2023	LAPFF Mid-Year Conference	Included sessions on incentivising climate action - linking climate metrics with executive pay, ending modern day slavery, the role of companies and investors and the ESG backlash in the US.	Officers
September 2023	Barnett Waddingham - Legislation and Governance	Key legislation of the LGPS, key bodies within the national governance structure, role of the administering authority, Pension Panel and Local Pension Boards	Board/Panel
September 2023	LCIV Annual Conference	Two-day conference featuring various sessions including LGPS Pooling Consultation Roundtables, TNFD - what it is and how it will affect the LGPS and Unveiling the Pillar of Governance	Officers


Date	Training/Seminar	Detail	Attended by
September 2023	SPS Net Zero, Impact and Sustainable Investment Conference	Sessions included Selection, appointment and monitoring of investment managers from a sustainability/ESG perspective, place based impact investing, impact investing for net zero: lessons from the LGPS and sustainable finance regulation	Officers
November 2023	LCIV and Redington Natural Capital Workshop	Introduction to natural capital investment - key risks and opportunities.	Officers
November 2023	Room 151 Investment Forum	Sessions included asset allocation in the LGPS, investing is sustainable infrastructure - ambitions and opportunities and the outlook for equities - active passive, impact and sustainability.	Officers
December 2023	Greasham House - Training on Carbon Credits	Further training following an initial session on forestry - focus on understanding what carbon credits are and how they work.	Officers
December 2023	Hymans - Investment Performance Measurement and Risk Management	The importance of performance measurement, regulations in place and different ways of measuring performance.	Board/Panel
December 2023	Hymans Member Training Guidance	Webinar covering what 'appropriate' Committee training could look like and the challenges for funds to put the Government's investment consultation expectations.	Board/Panel

This focus on training ensures that the Fund can demonstrate that Panel, Board and officers have the essential knowledge required to undertake their governance duties and to run an efficient and effective Fund for its members and supports our strategy of ensuring that those charged with governance have the right information – taking adequate time to research where necessary.

Outcome

The Fund has made continued progress in its stewardship journey through 2023 supporting its core values and investment beliefs, namely engaging on ESG to explore the risks and opportunities presented by climate change, training our members and officers to ensure effective due diligence and providing clear communication to members on the move forward to more sustainable investments

- creating long term value for members and employers alongside benefits to the economy, the environment and society. However, as we move into 2024, the Fund still has much more work to do. The Fund will be re-reviewing its net zero roadmap, which was initially put in place in 2022 and will reaffirm its commitment and progress towards its net zero target. The Fund also needs to undertake an overarching review of its voting and engagement activities and how it will report on these.



Principle 2

Signatories' governance, resources and incentives support stewardship.

Context

Our Structure

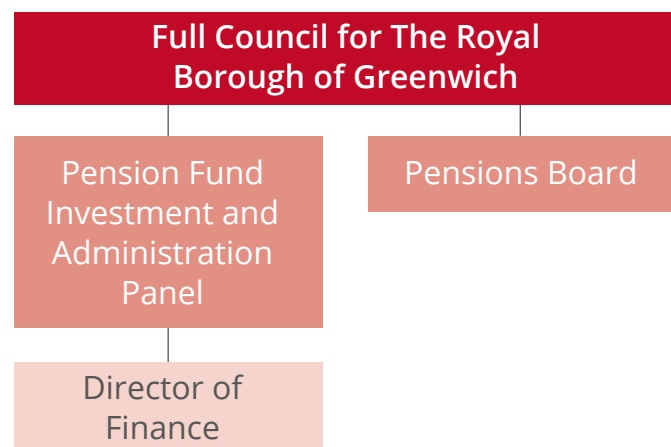
The Pension Investment and Administration Panel

The Royal Borough of Greenwich, under its constitution, has delegated the responsibility of the Fund to the Pension Investment and Administration Panel (the 'Panel'). The Panel is a decision-making body and therefore has governance and oversight of all Fund matters including, but not limited to communications and administration, investment strategies, scrutiny of external investment managers and performance assessment, employer and employee member engagement and policy review. The Panel consists of four Greenwich Councillors with full voting rights and decisions should be made in the best interest of the Fund and its members. Representatives from admitted bodies and the trade unions are invited to participate as members of the Panel, but do not have voting rights. The Panel convenes a minimum of four times a year.

The Board

On 1 April 2015 the Royal Borough of Greenwich Local Pension Board was established in accordance with Section 5 of the Public Service Pensions Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended). The Board was established by the Pension Fund Investment and Administration Panel under delegation from the Administering Authority and operates independently of the Panel. Its purpose is to assist the Administering Authority in its role as a scheme manager. The Pension Board consists of four members, each with voting rights. These members are made up of two member representatives and two employer representatives. The Board will meet, as a minimum, two times a year. The chair of the Board, with consent from the Board members, may call additional meetings. In 2023 the Board met four times.

The table bellows illustrates the governance structure in place for The Royal Greenwich Pension Fund



Further information regarding the delegation arrangements for the Fund can be found in the Funds Governance Compliance Statement on the Councils website royalgreenwich.gov.uk. The statement is reviewed annually. The Panel and Board also produce and maintain Terms of Reference.

The Business Change Accountancy Team (Treasury and Pensions)

The Panel has delegated the daily management of the Fund to the Director of Finance who is the Council's Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The day-to-day running of the Fund is further delegated to officers within the Accountancy and Business

Change – Treasury and Pension Investment Team and the Pensions Administration Team.

The Treasury and Pensions Team is made up 6.5 full time equivalent (FTE) staff, with half of the team focused mainly on the Pension Fund. The team is headed by the Business Accountancy Change (Treasury and Pensions) Manager who directly reports to the Director of Finance (S151 Officer). The team is made up officers from a range of backgrounds, all of whom have public sector experience and are members of or are currently undertaking qualifications with professional bodies such as AAT, CIPFA and ACCA.

The work undertaken by this team includes:

- Day to day management of the Fund including all reconciliation and accountancy work.
- Day to day liaison with Fund Investment managers, the Fund Custodian, Investment Advisors and the Fund Actuary and all other counterparties
- Production of quarterly and annual Pension Fund Accounts, alongside collaboration with the Fund auditors during the audit process.
- Production of the Annual Report.
- The provision of guidance to the Pension Fund Investment and Administration Panel and Board on all reports, policies and statements.

- Co-ordination of training including the annual away day
- Management and oversight of fees

The Pensions Administration Team

The Pension Administration team comprises of 13.6 full time equivalent (FTE) staff, however there are 4 FTE posts unfilled, these being 3 x senior officer posts and the Head of Pensions post. 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 (LPFA) pension fund. The services provided by the pension section consist of:

- The administration of the Local Government Pension Scheme (LGPS) in accordance with relevant legislation.
- The running and maintenance of the Pension Payroll to ensure accurate and timely payment of monthly pensions.
- The maintenance of 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).

- The provision of key employee data to the NHS and London Pension Fund Authority.
- The provision of information and key data to scheme members and other bodies associated with the LGPS.
- The provision of guidance to the Pension Fund Investment and Administration Panel on pension legislation and the options available.
- To encourage and promote membership of the LGPS.

The administration team has the following aims at its core:

- The improvement of standards and efficiency and to keep costs under scrutiny.
- To develop plans to increase IT efficiency and give members more options with regards to accessing details of their pension benefits and other information.
- To train and develop staff in respect of any changes to legislation and to meet the service requirements.
- To achieve a high standard with regards to service delivery and customer service.

Activity

Officers, under delegation from the Director of Finance as Section 151 Officer, are responsible for the day to day running of the Fund, undertaking research and providing a range of reports to the Pension Panel in collaboration with the Funds service providers including investment managers, investment advisors, the Fund Actuary and the Pensions Administration Team.

The Panel, as the decision-making body for the Fund, receives these reports alongside presentations and liaison with various counterparties and undertakes decisions on various matters including (but not limited to) agreement of policies and procedures, changes in asset allocations, frameworks for training, ESG priorities etc. Key examples of reports reviewed, and decisions made by the Panel in 2023 include:

- The transition of £237.5m of global assets into a Low Carbon Equity Fund.
- Agreement of the revised Investment Strategy Statement to include revised investment allocations.
- Quarterly review of fund manager performance.
- Review of the Funds annual accounts and agreement of the Annual Report.

The Pension Board, provides an additional layer of scrutiny, overseeing the governance of the Fund and the work undertaken by Panel. The Board has a role to hold the Panel accountable for its decisions and as such, makes recommendations to committee as required.

Other Key Counterparties/Service Providers

The Fund also receives a range of services from other providers supporting its stewardship activities, all of whom are invited to relevant Panel meetings during the year. The experience and expertise of the advisors of the Fund are reviewed and assessed as part of the tender of contracts to ensure that third parties have the requisite knowledge and skills. The Fund investment advisors, actuary and investment managers are all FCA regulated firms. The Funds external counterparties include:

- Investment Advisors – Hymans Robertson
- Fund Actuary – Barnett Waddingham
- Custodian – Northern Trust
- External Auditors – Grant Thornton
- Pooling Manager - London Collective Investment Vehicle (LCIV)
- Investment Managers CBRE Global Investment Partners, Blackrock Advisors (UK) Limited, Fidelity, Partners Group (Guernsey) Ltd, Wilshire Associates and Legal and General Investment Management (LGIM).

Training and Performance Measurement

Due to the nature of the Fund being that of a local authority and staff pay being aligned to the Royal Borough of Greenwich pay policy (through which fairness of pay across roles is ensured) there is little opportunity for the Fund to provide financial incentives to officers to drive performance. However, officers work within the councils flexible working policy and are permitted to work from home for a percentage of the week. This is undertaken while ensuring that the interests of scheme members is priority. This flexibility, coupled with a strong investment into training and development helps to encourage staff to undertake their work proactively.

The Fund recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills. The Fund therefore collaborates with its investment advisors, fund managers, actuary and other stakeholders in the delivery of its training.

The Fund also recognises that training can take various forms and therefore uses various methods of delivery including, but not limited to, formal presentations, webinar attendance, workshops, informal discussion and reading of relevant articles and publications.

A training plan is produced on an annual basis and is updated as necessary to account for any changes in legislation, updated guidance, and other relevant changes. Alongside the training plan, officers maintain a training register which will hold details of training courses/events available alongside details of who has attended. A list of the training undertaken by Board, Panel and officers during 2023 can be found under Principle 1.

Training is undertaken on a rolling programme, ensuring that the six key areas of the Knowledge and Skills Framework are covered. These are undertaken at each Panel and Board meeting and are aligned to the content of the meeting to ensure relevance. The Fund's Knowledge and Understanding Policy and Framework is published on the council website (royalgreenwich.gov.uk) to demonstrate that the Fund has adopted the 2021 CIPFA Code of Practice on LGPS Knowledge and Skills.

Newly appointed members of both the Panel and Board receive induction training carried out by the Funds investment advisors and Pension Board members are encouraged to use the e-learning toolkit provided by the Pensions Regulator. Although there is no statutory obligation placed on them to do likewise, Panel members and officers are encouraged to do the same.

As aforementioned under principle 1, during 2023 the Fund ascertained a free trial of an online training platform called Enlighten provided by the Funds Actuary, Barnett Waddingham. Panel, Board and officers all have access to the system which provides training videos on various LGPS related topics.

As part of the trial users will be actively providing feedback to help shape the platform further into 2024.

The Fund recognises the importance of developing and supporting staff within each team and within their roles. Officers receive regular 1 to 1's with managers to discuss areas of development, including training and feedback on performance. Officers also each have an individual workplan which is regularly reviewed with their line manager. This process makes each team member accountable for their part in the running and stewardship of the Fund. During 2023 the Fund has continued to support its Business Change Accountants studies under the Chartered Institute of Public Finance Accounting (CIPFA) and supported the Funds Accountancy and Business Change Deputy Finance Manager to complete a 6 week certified Focus On ESG Course which helped to strengthen the teams ESG credentials with practical training and strategic know-how.

Diversity, Equity & Inclusion and Social Value

Staff within the Pensions Administration and Business Change Accountancy Teams work in line with the Royal Borough of Greenwich Equality Policy. As council employees, officers share the responsibility to promote equality, diversity, and inclusion (EDI) in every aspect of their work and the Fund has begun to incorporate questions within its tendering process around the EDI policies and processes for the third parties with which it works. Ensuring that Fund contracts contain a tangible deliverable with regards to social value is also a key component of the tendering process for the procurement of pension fund services.

Reporting Rules

The Royal Borough of Greenwich has strict reporting rules to which the Fund adheres. These new rules include detail by officers as to how the report interlinks with Royal Greenwich's high-level missions and the requirement for officers to stipulate the pros and cons of the different options available to members to provide a holistic analysis of the options available. Reports are then reviewed by the Council's Legal Department for comment before publication. All reports to the Pension Panel and Board in 2023 adhered to these guidelines supporting stewardship by providing clear, concise, and transparent communication for Fund members and ensuring that those charged with governance are given the correct information and tools to make informed decisions.

Outcome

The governance structure in place helps to support stewardship by providing various layers of review and accountability on decisions regarding the administration, investment and governance of the Fund. Furthermore, there are clear roles and responsibilities set via individual workplans, 1 to 1s and within the Terms of Reference for the Panel and Board.

Panel, Board and officers have undertaken various training throughout the year, ensuring that they have the requisite knowledge and skills to undertake their work and empowering staff and Panel and Board members to undertake their stewardship roles with confidence and consideration.

Strong working relationships between the Accountancy Business Change and Pensions Admin Teams help to ensure cohesion across the breadth of the Fund. Interaction between officers at all levels and the Fund's various external counterparties help to ensure strong stewardship across all work within the Fund and also help to empower staff to build strong working relationships and to collaborate with third parties as appropriate.

Clear expectations with regards to report requirements help to ensure that the Fund fulfils one of its key purposes of ensuring that our members can access clear and accurate information to plan for their retirement.



Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Context

Conflicts of Interest

For the Fund to ensure that it is run in the best interest of its members, conflicts of interest must be identified, monitored, and managed.

A conflict of interest occurs when an individual's personal or financial interests could compromise their judgement to make a decision or recommendation within their official capacity.

Conflicts of interest in relation to the Funds responsible investment and stewardship may occur when:

- Those charged with governance (or their family/close contacts) have a personal or financial interest that could influence a decision or recommendation they make within their role.
- Where the personal/financial interest of an officer prevent them from working for the best interest of the Fund.

- An officer, Panel or Board member receives gifts or hospitality to gain preferential treatment.
- An external counterparty, such as an investment manager or advisor, may provide other services than that for which they have been employed which prevent them working within the best interest of the Fund.

There is an inherent conflict of interest presented by virtue of the structure of the LGPS in that the Royal Borough of Greenwich is the administering authority for the Fund while also being an active employer in the Fund. The objectives of RBG as a local authority may not always be aligned to those of the RBG Pension Fund, which is a separate entity. In order to mitigate the conflict of interest presented by this dynamic, there is segregation between the authority and the Fund in relation to budgets, its governance structure and the external parties it uses.

Officers, Panel and Board

The Royal Borough of Greenwich Constitution sets out the expectations of officers and members in relation to conflicts of interest. The elected members on the Pension Fund Panel are further governed by 'The Members Code of Conduct'. The Code stipulates the following:

- Written notice of any financial interest including the name of any relevant body with a brief description of its purpose must be provided to the monitoring officer within 28 days of any new or change to the interest.
- If a member is at a meeting and has a personal or financial interest in any matter to be considered, the existence and nature of the interest must be declared at the start of the meeting. A disclosure must be made for six months after ceasing to be appointed to that body.
- If there is a sensitive interest, the fact that there is an interest must be disclosed.
- If a member proposes to make an executive decision in relation to a matter, then:
- If there is a personal interest in a matter, a written statement of the decision must record the existence and nature of the interest; and

- if there is a financial interest or a personal interest the member must not make an executive decision or take any steps in relation to the matter, except to enable it to be dealt with by someone else.

Any declarations of interest declared are detailed on the Register of Member Interests. This is monitored and updated regularly and published on the Royal Borough of Greenwich's website.

Each year, as part of the completion of the Pension Fund Annual Accounts, officers and Panel and Board members are expected to complete a Related Party Transactions form. This details any related party transactions which may have taken place in the year and is reviewed by the Funds auditors during the audit process.

A review of the processes and procedures in place to identify and manage any potential conflicts of interest is also picked up as part of the Royal Greenwich internal audit review of the Pension Fund.

Conflicts of Interest is a feature of the Funds risk register which is broken down and reviewed quarterly by the Board and reviewed in its entirety by Panel each year.

Investment Managers

Voting and engagement by investment managers may also present a conflict of interest. The Fund expects its investment managers to maintain publicly available Conflicts of Interest Policies. These are reviewed as part of the Investment Manager appointment process.

Training

In line with the 2021 CIPFA Code of Practice on LGPS Knowledge and Skills, officers, Panel and Board members receive a rolling training programme which covers the requirements and expectations of them to govern the Fund with transparency and integrity. As part of this training, officers, Panel and Board members are encouraged to complete The Pensions Regulator (TPR) online Toolkit, a set of learning modules, one of which covers conflicts of interest.

Activity

In 2023 there were no potential or actual conflicts of interest which required management.

Each financial year the Fund declares, in its annual accounts, any related party transactions which are reviewed by external audit. As at 31 March 2023, no trustees or key management personnel of the Authority with direct responsibility for pension Fund issues had undertaken any material transactions with the Pension Fund, other than the following:

- Administrative services were undertaken by the Authority on behalf of the Fund, under the SLA, valued at £0.980m (2021/22: £1.111m).
- The Royal Borough of Greenwich is the single largest employer of members of the Pension Fund and contributed £33.090m to the Fund in 2022/23 (2021/22: £30.923m).
- With respect to other Scheduled Bodies, an amount of £0.282m was owed to the Fund by Academies at year-end for contributions due.
- The Royal Borough of Greenwich Pension Fund is a Member of the London Collective Investment Vehicle (LCIV). As at the reporting date, Councillor Olu Babatola was the Fund's representative on the Board and the deputy was Councillor Nick Williams. In 2022/23, administration and management fees of £0.204m were paid to this organisation.

This will be reviewed and reported on again as part of the 2023/24 annual accounts process.

Section 5 (4) of the Public Service Pension Act 2013 (the "2013 Act") stipulates a requirement for public sector pension schemes to make provisions to ensure Board members do not have conflicts of interest. The Pensions Regulator (tPR) has regulatory oversight of public sector schemes by virtue of the 2013 Act. The 2013 Act added new provisions to the Pensions Act 2004 requiring the tPR to produce a Code of Practice regarding the governance of public service pension schemes. In September 2023 the Board agreed its Conflict-of-Interest Policy to ensure it manages conflicts of interest in line with this code. The policy was previously embedded with the Board Terms of Reference but has now been adapted into a separate stand-alone document to ensure that the Board will manage any potential conflicts of interest appropriately. The policy covers legislative requirements in relation to conflicts of interest and the role of the Board and administering authority in identifying, monitoring and managing conflicts of interest. Pension Panel are due to review this policy in their March 2024 meeting.

Outcome

During 2023 the Funds approach to identifying, monitoring, and managing conflicts of interest has acted as intended. Conflict of Interest declarations feature on the agenda of every Panel and Board

meeting and are documented in the minutes. Officers, Panel and Board members receive training covering conflicts of interest and the conflict policies of external providers are considered at the point of appointment.

As part of its annual accounts process, the Fund declared any relevant related party transactions in line with the CIPFA Code of Practice and this was reviewed as part of the annual external audit process.

The Pension Boards Conflict of interest Policy specifies the role of Board and officers in ensuring that any potential conflicts of interest are identified, monitored, and managed. The policy will be reviewed on each material change and at least annually.

Conflicts of interest is a key topic on the Funds rolling training programme. The Fund also encourages Panel and Board members to complete the conflict-of-interest unit of the TPR Toolkit.

The Fund still needs to undertake more work in relation to the continual monitoring of conflict-of-interest policies of external providers. In 2024, the Fund intends to undertake a re-review of the current policies in place across its external providers including the LCIV to ensure that their conflicts of interest policies are still fit for purpose and to maintain this review on a regular basis. The Fund also needs to undertake a more rigorous review of the voting undertaken by managers to ensure that it is aligned to the voting policy of the Fund.



Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Context

Effective risk management underpins strong corporate governance. The key function of the Fund is to provide retirement benefits to members when they fall due and therefore, as a long-term investor, the Fund must continually work to identify and manage risk to help promote sustainable, well-functioning financial markets.

Market-wide Risks

Market-wide risk affects the performance of an entire market often leading to financial loss. Causes of market-wide risk, which could impact the Fund include (but are not limited to):

- **Interest Rate Risk** – the risk of unpredictable interest rate changes on assets.
- **Equity Risk** – the risk associated with investment in commodities as stock prices fluctuate with supply and demand.

- **Currency/Exchange Rate Risk** – These can change rapidly as they are affected by various political and economic situations.
- **Geopolitical Issues** – the impact of political, socioeconomic, and cultural factors/events on business/markets.

Systemic Risks

Systemic risk is the risk that an event may lead to the collapse of an economy, financial market, or industry. Systemic risks which could affect the Fund include (but are not limited to):

- **Counterparty Risk** – the counterparty to a transaction defaults on their element leading to a potential loss for the fund.
- **Security Risks** – such a cyberwarfare attack.
- **Political risks** – for example conflict or trade wars between nations.
- **Environmental factors** – such as climate change, natural disasters, biodiversity loss.

Activity

Information from Key Counterparties

To monitor market-wide and systemic risks the Fund utilises information from its key stakeholders.

Market Commentary from Managers

The Funds investment managers include relevant market commentary in their quarterly reports. Officers meet quarterly to discuss the performance of each mandate and during this process also discuss market conditions and how these have and may in future effect performance.

Investment Advisors

The Fund utilises its investment advisors, Hymans Robertson, to gain insight on market trends and potential risk areas. Hymans Robertson produce a quarterly performance report for the Fund which is received by both Panel and Board – this report includes market commentary and its impact on the Fund.

Bloomberg

Fund officers have access to a Bloomberg terminal through which they set up various alerts to monitor the market (examples include MPC bank rate change announcements, alerts on specific companies and monitor of the FTSE 100)

Publications and Webinars

Officers actively monitor articles and notifications from publications such as Room 151, Pensions Expert and Public Finance which include commentary on the financial markets. Officers also attend various Pensions & Treasury conferences throughout the year that provide commentary from investment professionals about the state of the global economy.



Risk Register and Policy

The need for effective risk management is reflected throughout guidance and regulations in the LGPS, notably in Regulations 12(2) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and in the CIPFA 2018 publication “Managing Risk in the Local Government Pension Scheme”.

Responsibility for risk management is an issue for all those involved in the management of the Fund, with overall oversight falling to the Panel. The Fund maintains and monitors an in-depth risk register. The risk register is reviewed by Panel annually and split into four sections which are reviewed by Board each quarter on a rolling basis. This ensures that the risk register is reviewed regularly. The risk register is much more than a paperwork exercise – it is a tool within which to actively identify, analyse, control, and monitor risk. The risk register is divided into the following risk categories:

- Administrative risk
- Compliance/regulatory risk
- Employer risk
- Investment Risk
- Liability Risk
- Other Risk

- Reputational Risk
- Skill Risk

Within each category a series of risks are identified and upon each review an update of the status and any changes in relevant controls are made. Each risk is assigned an ‘owner’ - a responsible officer who reviews and updates the risk details at least annually. The risk register is published annually as part of the Funds Annual Report. The 2022/23 annual report can be found on the Royal Greenwich website royalgreenwich.gov.uk

Following review of the risk register at its September 2023 meeting, the Pension Board requested to receive a presentation from the Infrastructure Manager of the Digital and Customer Services Department at their December 2023 meeting to further understand the risks to the Fund in relation to the complex area of cyber security.

ISS and FSS

The Funds Investment Strategy Statement (ISS), Responsible Investment (RI) Policy and Funding Strategy Statement (FSS) also address various risks and the associated control measures including financial, demographic, regulatory, maturity and governance risks. The Funds Funding Strategy Statement can be found on the Royal Greenwich website royalgreenwich.gov.uk.

Diversification

As stated within the Funds investment beliefs under principle 1 - one of the key mechanisms for ensuring that the Fund mitigates market and systemic risk, is to hold a diversified portfolio of investments with a suitable strategic asset allocation benchmark for the Fund, which sets an appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk. Consideration is also given to diversification across asset types, geographies, and managers. Further details of the asset and geographical allocations of the Fund can be found under principle 6.

The Fund carried out an asset liability modelling exercise in conjunction with the 2022 actuarial valuation in June 2023. As part of the exercise a number of contribution rates and investment strategies were modelled and the implications of adopting a range of alternative investment strategies were assessed. The Panel considered the probability of being fully funded at the end of the projection period and considered the level of downside risk under a range of different scenarios.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

This commitment to ensuring that the Funds investment portfolio is continuously reviewed and diversified can be seen in the work completed by the Fund in this regard over the last few years:

2020	<p>Asset/Liability review undertaken. Panel agreed the following updates to the long-term strategic allocation to provide further diversification:</p> <ul style="list-style-type: none"> • A 5% decrease in the allocation to equities, to 45%; • Reshape the allocation to illiquid assets by increasing allocations to private debt and infrastructure to 5% and reducing the allocations to private equity and global property to zero. • A 3% increase in the allocation to multi-asset funds, to 13%; • A 2% increase in the allocation to multi-asset credit, to 12%;
2021	<p>Panel agreed to invest £42.5m into the London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund (2.5% of its 5% infrastructure allocation – leaving a further 2.5% to provide further diversification across a number of infrastructure projects and sectors).</p> <p>Panel agreed to make a commitment of £85m to the LCVI Private Debt Fund – a 5% allocation. Initial drawdowns for both mandates have been undertaken.</p>
2023	<p>£237.5m of global equities were moved into the LGIM Future World Global Equity Index Fund – a low carbon passive equity fund.</p> <p>Follow a further asset liability study, the Panel reviewed the Fund Investment Strategy and agreed the following changes:</p> <ul style="list-style-type: none"> • A 5% decrease in the allocation to equities to 40% • To reshape the allocation to illiquid assets by increasing allocations to private debt and infrastructure to 10% • The increased allocations will be funded by an 8% decrease in the allocation to multi-asset funds to 5% and a 2% decrease in the allocation to multi-asset credit to 10%.

To ensure that the Fund is appropriately diversified, the Fund seeks investment advice from its advisors, Hymans Robertson. The asset allocation and benchmarks of the Fund are reported to Panel with each quarterly performance report and the Funds investment advisors provide advice on any additional steps which could be taken to mitigate risks.

Government Consultation on Investments

On 11 July 2023 the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on Local Government Pension Scheme Investments. The consultation proposed the Governments vision for pooling, setting out what it believes to be the LGPS's role in levelling up and private equity investment. The Fund evaluated the proposals, seeking viewpoints from its investment advisors, actuary and LGPS peers. The Fund provided a response to the consultation in September 2023, ahead of the 2 October 2023 deadline, to ensure that its views were considered. The Funds investment advisors, actuary and the LCIV also responded to the consultation.

Training

One of the ways in which the Fund continues to work to mitigate against various types of risk, including market wide and systemic risk, is to ensure that officers, Board, and Panel members have the vital knowledge and skills to undertake their governance roles. Performance measurement and risk management training was provided to Panel and Board in December 2023. Alongside this, officers have received training on the risks and opportunities posed by new asset types linked to biodiversity including natural capital and forestry. The risks in relation to these investments will be further discussed during the Funds next Strategic Away Day due to be held in February 2024.

Collaboration

The Fund recognises that partnership is a vital tool to understand and reduce risks. Collaboration with other counterparties provides valuable information to help identify potential risks and share insight as to how to mitigate these risks. Throughout the year the Fund has continued to engage with various counterparties including other LGPS colleagues, its investment advisors, actuary, and investment managers and through its membership of the Local Authority Pension Fund Forum (LAPFF). Throughout 2023 officers have attended business updates alongside the mid-year and annual conferences of the LAPFF to keep abreast of the work undertaken

by the forum. Key work undertaken by the LAPFF in relation to risk during 2023 includes (but is not limited to):

- Signing up to the Nature Action 100 initiative. Nature Action 100 is a global investor engagement initiative led by Ceres and Institutional Investors Group on Climate Change (IIGCC)⁵ which aims to work with companies to promote positive environmental impacts to reduce the operational, reputational, and regulatory risks association with biodiversity loss.
- During 2023 the LAPFF has continued its work to encourage companies to have an annual 'Say on Climate' vote at their Annual General Meetings (AGMs). This further supports the enhancement of transparency on financially material risks facing investee companies.
- A session entitled 'Responding to the climate emergency: How are LGPS Funds and Pools managing climate-related financial risk' featured during the annual conference.
- Given the collapse of Thomas Cook and Carillion in recent years it is clear that there continues to be systemic problems with accounts and audits leading to the collapse of various institutions. The LAPFF has previously written to the UK Accounting Endorsement Board (UKEB) requesting clarity on their position with regards to the guidance they use for standards

endorsements purposes. The LAPFF has continued to challenge this issue and the Fund will continue to monitor its progress.

Outcome

Panel and Board have proactively reviewed the pension fund risk register, requesting more information to further their understanding where necessary to enable them to challenge where appropriate. The risk register will continue to be reviewed by Board quarterly and by Panel annually to ensure it is looked at on a regular basis.

ESG issues can have a material impact on the long-term risks and returns from Fund investments. A robust RI policy helps to ensure that ESG risks and opportunities are recognised, understood, and acted upon. ESG is a specific risk category featured on the Funds risk register.

The Fund recognises that climate change presents a financial systemic risk (physical and transitional) which can have a long-term impact on investments. The Fund plans to re-review and update where necessary its Net Zero Roadmap in 2024 to ensure that it is still fit for purpose.

The Fund ensures that Panel, Board and officers receive training specific to the various risks to the Fund. The Fund also encourages Panel and Board members and officers to complete the TPR Toolkit which covers risks posed to Pension Funds.

⁵ Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. The IIGCC is a membership body for investor collaboration on climate change.

The Fund needs to undertake further work in relation to engagement and collaboration in this area. Although a member of the LAPFF, the Fund has more work to do to ensure that it utilises its membership of the LAPFF. The Fund needs to conduct more in-depth reviews of the work undertaken by the LAPFF and how it can feed into specific areas of risk.

The Fund adheres to its investment beliefs that a strategic asset allocation, which is regularly reviewed, and diversification are key factors to reduce investment risk. This can be seen through the continued work undertaken with regards to asset allocation review.

The Fund ensured that it responded to the Governments Consultation on LGPS Investments and evaluated what impact it believes the proposed changes would have on the Fund. The Fund will consider next steps to ensure that asset allocation decisions are made in the best interest of the Fund and its members.





Principle 5

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

Context

The Fund has a legislative duty to monitor and maintain certain policies (please see table below) however the Fund recognises that the production, review and publication of its policies and procedures is not a 'tick box' exercise. Clear, concise, and informative policies and reporting is vital to ensure that the Fund is transparent in its operation, that it can provide clear information to its members and stakeholders and to demonstrate it is governed effectively and efficiently.

The Fund seeks assurance of its processes through a variety of means including, a clear process for its reporting, via its governance structure, third party assurance through internal and external audits and via clear objectives for its third-party providers. These layers of governance provide various formats through which the Fund can assess the effectiveness of its activities.

Activity

Policy Review

Officers maintain a 3-year rolling business plan for both Panel and Board which factors in policy review required by legislation, alongside upcoming workstreams such as consultations on new policies and informative reports regarding the governance of the Fund in areas such as risk monitoring, investment performance, training, and administration. In March each year the business plan for the following financial year is presented to both Panel and Board. The Business Plan is an evolving document which factors in new policies and reports as and when they are relevant and required. 2023 saw the development of the business plan for Panel, which now not only provides an agenda for the upcoming year but also has a section in which the Fund reviews the work undertaken in the previous year, detailing what was successful and what still needs to be achieved along with an indicative timeline for next steps.

Some of the key legislative policies reviewed by Panel are:

Policy	Overview	Detail
Investment Strategy Statement (ISS)	The Investment Strategy Statement details the Fund's investment strategy, including its agreed asset allocation and voting guidelines. It also details the Fund approach to responsible investment	The ISS is produced under Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. It should be updated at least every 3 years following the triennial valuation or if there are significant changes in the investment policy. The Panel aim to review this annually.
Funding Strategy Statement (FSS)	This statement outlines the Fund's approach to meeting its liabilities. The strategy covers the main principles underpinning decisions around employer contributions and how this is linked to the Fund's investment strategy. It is produced in consultation with the Fund's actuary, investment advisor and scheme employers.	The FSS is prepared under Regulation 58 of the Local Government Pension Scheme Regulations 2013 and should be updated when material changes occur. The Panel aim to review this annually.
Governance Compliance Statement	The statement provides details of the delegation arrangements in place for decisions taken in relation to the Fund. It also states how the Fund complies with best practice guidance issued by the Secretary of State.	This is prepared under Regulation 55 of the Local Government Pension Scheme Regulations 2013 and should be updated upon material change in delegation arrangements. The Panel aim to review this annually.
Statement of Compliance with the UK Stewardship Code	The UK Stewardship Code is published by the FRC. It sets out the key principles of effective stewardship for institutional investors to help them better exercise their stewardship responsibilities.	Compliance with the Code is not mandatory for LGPS funds but is supported by the UK Government and is considered best practice. Compliance to the UK Stewardship Code is reviewed annually.
Communications Policy	The Communications Policy describes how the Fund communicates with its members, scheme employers and representatives of both groups. The policy covers the format and frequency of communication.	This policy is prepared under Regulation 61 of The Local Government Pension Scheme Regulations 2013 and is reviewed annually.
Knowledge and Understanding Policy and Framework	This policy is prepared to ensure that all members and decision makers carrying out their roles and responsibilities on behalf of the Fund have the requisite knowledge and skills to do so.	This policy is written in line with the CIPFA Code of Practice on LGPS Knowledge and Skills which was updated in 2021. The Knowledge and Skills Policy is reviewed annually.

In addition to these legislative policies, Panel also review the Funds other policies and processes including (but not limited to):

- An annual review of its administrative arrangements
- An annual review of the work undertaken by Pension Board
- An annual review of its Risk Management Policy and Risk Register

In March each year a separate report entitled 'Fund Strategies, Statements and Reports' is presented to Board. This report details the key policies reviewed by the Panel each year in line with LGPS legislation. By reviewing the Fund's publication of relevant reports, strategies, and statements the Board acts within its stewardship role and ensures the best interest of the Fund, the administering authority, scheme employers and Fund members. The Board also ensures that the Fund is producing relevant reports in line with the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Each year the Board produce an annual report as a roundup of the work they have undertaken for the previous year. The RBG Local Pension Board report is presented to Panel for review and comment. The annual report of the Board is an opportunity for the Board to reflect on the work they have undertaken during the year and discuss areas of success and

areas for improvement. The Boards latest report is scheduled to be reviewed by Panel at the start of 2024.

Fair, Balanced and Understandable Reporting

The Royal Borough of Greenwich has a strong corporate governance process with regards to the writing and publication of reports for committees. It is important that any reports produced by the Fund are written fairly, are balanced and are understandable for stakeholders. The Fund's reports therefore adhere to a series of guidelines before they are published:

- Reports are written by one officer reporting to a higher officer for secondary review who ultimately reports to a chief officer.
- It must clearly state if the report and/or appendices are exempt from public view and if so, why.
- To provide context and meaning, reports must stipulate how they link to the Royal Borough of Greenwich's corporate missions (as per Principle 1, the Fund aligns to 3 of these beliefs – 1) Greenwich plays an active role in tackling the climate crisis, 2) Our Council is an adaptive organisation, enabling it to navigate the increasing number of challenges it faces while remaining financially sustainable and 3) Our Council works in the most efficient and effective ways possible.)

- The purpose of the report and decision required must be clearly stated at the start of the report alongside the relevant legislation under which the decision is required.
- Reports must stipulate the available options in relation to the decision being made. There must be pros and cons for each option to demonstrate a balanced view.
- Reports must address a series of cross-cutting issues and implications such as financial implications, equalities, and climate change.
- Reports (and associated appendices) must have oversight from legal who will review and comment upon any legal cross-cutting issues and implications.

Once these guidelines have been adhered to, reports are published 5 working days in advance of any committee to allow enough time for public review of the documents before the meeting is held.

Governance Structure

The Governance Structure of the Fund provides an additional layer of assurance. The Pension Board was established by the Pension Fund Investment and Administration Panel under delegation from the Administering Authority and operates independently of the Panel. Its purpose is to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS. The core function of the Board is to ensure

to the governance and administration of the LGPS. The core function of the Board is to ensure the effective and efficient governance and administration of the Scheme.

Audit Assurance

The Funds Financial Statements and Annual Report are audited by the Funds external auditors who assess whether the statements provide a “true and fair view” of the position of the Fund. As part of the annual accounts process, the Fund also reviews internal audit assurance reports from each of its investment managers, including the London Collection Investment Vehicle (LCIV) which are examined as part of the annual audit.

The Funds 2022/23 Annual Report and Financial Statements received an unqualified opinion from the Funds external auditors. This demonstrates that the Fund Account, Net Asset Statement, and notes to the accounts, including a summary of significant accounting policies give a “true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023”.

The Fund also completes an annual scheme return of The Pensions Regulator (tPR).

The Royal Borough of Greenwich's internal audit department complete internal audit testing of the Fund in line with CIPFA guidelines. The Fund reports on this internal audit process within its Annual Report each year. This internal audit process provides on-going assurance that the Fund is run effectively and efficiently for its members and provides an additional layer of governance to address any risks to the Fund.

Third Party Performance Assurance

The Fund assures that its third-party services are provided by counterparties who have the requisite knowledge, skills and experience and monitors the work undertaken by these counterparties throughout the life of their contract. The Fund ensures that it procures contracts via The Royal Borough of Greenwich's Procurement Procedures – Contract Standing Orders. This process includes an evaluation of the social value of any of the services provided and sets KPI's through which the Fund can monitor the quality of services.

Following a review of the investment consulting and fiduciary management markets, in June 2019, the Competition and Markets Authority (CMA) published an order making it a regularity requirement

for LGPS Funds to set objectives for their investment consultants. Each year the Fund agrees a set of objectives to monitor and assess the performance of the Fund investment advisors, Hymans Robertson. The Fund must submit a Compliance Statement annually to the CMA regarding the strategic objectives set for our investment consultants and monitors our investment consultant's performance against these objectives.

The Panel receives quarterly performance reports from its investment advisors, detailing the performance of each investment manager. This report is used as a tool for review and discussion of the individual managers performance (and the performance of the Fund as a whole) and provides assurance as to whether the managers are investing as anticipated.

Officers meet monthly with the Fund actuary, Barnett Waddingham, to discuss workstreams and expectations for current projects.

Officers from the Fund attend monthly Business Updates provided by the Funds pool, the LCIV. This provides a platform through which officers can ask questions and raise queries.

Outcome

Throughout 2023 Panel and Board have continued to review relevant policies to ensure strong corporate stewardship of the Fund.

At its first meeting of the calendar year, Board was asked to note a review of the arrangements for the publication on the Funds Strategies, Statements and Reports throughout the year to ensure that they had a knowledge of the policies to be reviewed and amended, as appropriate, by Panel.

At each meeting of the Pension Board, the Board has reviewed the minutes from the previous Panel meeting to provide governance and oversight of Panel decisions – creating assurance that the Panel is working in the best interest of the Fund and its members.

Although Fund officers meet regularly with third party services providers there is not a set process for reviewing the KPIs set out during the procurement of contracts, review is often ad-hoc. The Fund needs to ensure that a process is put in place to review these regularly and report as required on the performance of its third-party services providers in line with their contracts.

In 2023 both internal and external audit have provided assurance that the Fund is working efficiently and effectively and in line with relevant regulations.

During 2022/23 the Fund worked with its investment advisors to research and develop a sound and robust Responsible Investment (RI) Policy and formulated a net zero target roadmap. The Fund needs to provide assurance that these are working as anticipated and therefore needs to complete a re-review of its net zero roadmap in 2024 to assess the work completed so far and analyse what has been successful and what more needs to be built into the workplan.



Investment Approach

ROYAL BOROUGH OF GREENWICH
PENSION FUND STEWARSHIP REPORT





Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context

Scheme Structure and Membership

The Royal Borough of Greenwich Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) and is a defined benefit scheme.

The Royal Borough of Greenwich Pension Fund is an administering authority for the LGPS and as at 31 December 2023 comprised of 26,911 made up of:

- 8,632 members who were actively contributing into the Fund
- 8,448 were drawing benefits
- 9,831 members who have rights to deferred benefits.

The average age of an active member is 47. The average age of a pensioner is 71 (with the eldest being 102).

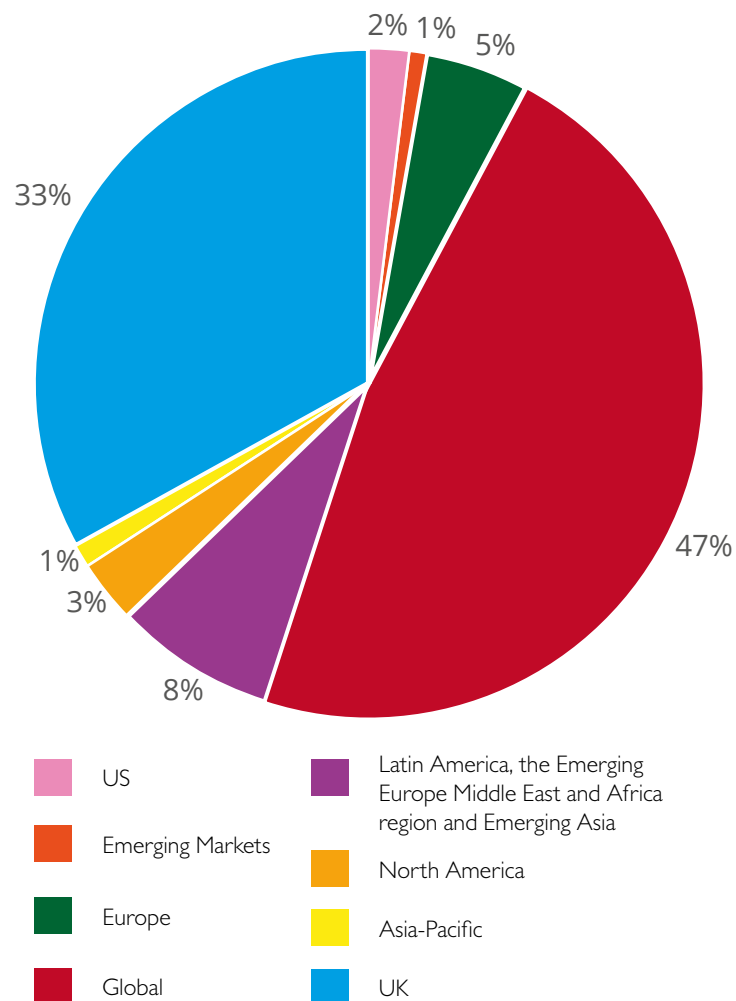
The Fund is made up of 68 active employers. The Royal Borough of Greenwich is the largest employer, making up 80% of the Fund.

Assets under Management and Investment Time Horizon

As at 31 December 2023 the Market Value of Fund's assets were as follows:

Investment Assets	MV 31/12/2023 £000
Property - Freehold	5,700
Pooled Investment Vehicles:	
Equities	755,086
Fixed Income	318,026
Property Unit Trusts	137,051
Multi Asset	195,817
Private Equity	928
Diversified Alternatives	101,948
Infrastructure	22,684
Private Debt	66,408
Cash Deposits	152
Cash Equivalents	33,110
Total	1,636,910

The geographical split of the Funds assets can be seen on the chart below:



One of the key responsibilities of the Fund is to ensure that benefits are paid as they fall due. As the Fund is not closed to new members, it therefore, takes a long-term view in relation to its investments. The Funds investment strategy factors into account the long-term nature of the Funds liabilities in relation to the underlying investments. The structure of the Funds' assets is therefore split as follows to accommodate a long-term time horizon:

- Growth Assets – Investments which aim to provide capital appreciation. These return seeking investments aim to provide a positive return over time to grow the scheme assets in order to meet future liabilities.
- Income Assets – Investments which provide income to support the Funds cashflow and therefore ensure that benefits are paid when they fall due.
- Protection Assets – These assets provide further protection against market risks by providing diversification.

The Funds current asset allocation can be seen in the table below:

Asset Class	Target Allocation (%)*
Listed Equities	40
Total Growth Assets	40
Multi-Asset Funds	5
Property	10
Infrastructure	10
Private Debt	10
Multi-Asset Credit	10
Total Income Assets	45
Corporate Bonds	7.5
Government Gilts	7.5
Total Protection Assets	15
Total	100

*Most recent allocations agreed in July 2023.

The Fund also considers environmental, social, and corporate governance factors which can have a material impact on the long-term risks and returns from the Fund’s investments. Longevity risk is built into the triennial actuarial valuation and is therefore included when determining the investment strategy.

Activity

As mentioned under Principle 1 – one of the Funds keys purposes is to ensure that members can access clear and accurate information. The Fund is accountable to its members and employers, and therefore has a duty to ensure that it provides clear communication and a platform for engagement with its key stakeholders to provide their feedback and views.

When deciding how to communicate we take into consideration our audience and the cost to the Fund. We aim to use the most appropriate means of communication for the audiences receiving the information. The Royal Borough of Greenwich Pension Fund is proud of its diverse and multi-cultural membership and ensures that information is available in a variety of languages and formats.

There are a variety of ways in which members and employers can communicate with Fund officers including via a central email address and phone line through which members and employers can contact Fund officers. The Fund provides an annual Communications Policy Statement which stipulates

how it communicates with its members. The policy can be found on the Royal Greenwich website royalgreenwich.gov.uk.

This year, upon request from Panel, the communications policy was updated to state that the Fund will make best endeavours to “issue a regular, at least annual, newsletter to all staff – members and non-members of the scheme” in “simple accessible language outlining costs, benefits, contact details and any recent updates or changes affecting scheme members. In addition, it should contain for instance case studies of individuals receiving their pensions, members’ experience of additional contributions etc”.

The Fund has its own area of the Royal Borough of Greenwich website www.royalgreenwich.gov.uk where it holds information for members such as:

- Background information regarding the Fund.
- Published key policies.
- Dates, agendas, minutes and attendance details for Panel and Board meetings.
- Contact details for relevant officers.

The Fund has a member self-service website mypension.royalgreenwich.gov.uk which allows members to access their records, review their annual benefit statements, undertake estimates of their pension benefits, and make amendments to their personal details, where allowed. Members can also

contact the pension team via member self-service, upload and download various documents and forms. Links are also available to other useful pension sites for example the National Members website, The Pension Regulator, and the state pension scheme.

At the time of writing the Fund had 9,110 members registered with relevant statuses on MSS as follows:

Actives	1,077
Undecided Leavers	112
Deferred Members	2,400
Pensioners	5,260
Spouses	216
Frozen Refund	45

The agendas and supporting documents for Board and Committee meetings are published on the Royal Borough of Greenwich website 5 clear working days ahead of the meetings for public view. The Board and Panel meetings are open for the public to attend.

The Fund publishes an annual report and set of financial statements each year which are audited. These key documents provide information to members and other stakeholders. The accounts are available for public inspection for a two-week period each year before finalisation of the audit and the final documents are published on the council’s website.

The policy statement is revised and published following a material change in policy and details how the Royal Borough of Greenwich processes and protects personal data in accordance with GDPR and the Data Protection Act 2018.

Each year an Annual Benefit Statement is sent to members which also features any additional key information, for example, promotion of the My Self-Service platform.

In December 2023, each member of the Fund received a letter with information pertaining to the McCloud judgement and how it may affect them.

The Fund engages with its employers on new policies, for example, the Fund previously held a consultation with employers on the Funds proposed Debt Spreading Agreements (DSA) and set up Deferred Debt Agreements (DDA) which were brought in during 2022 following a government amendment to the Local Government Pension Scheme (LGPS) Regulations. The change in regulations introduced new powers for administering authorities to review employer contributions, spread exit payments via. The two-week consultation period was held for employers to review the policies and raise any questions or concerns. The consultation was issued via email. One employer contacted officers to gain further understanding of the draft policies however no formal responses were received during the consultation period.

Outcome

The Fund welcomes the views of its members and employers and where appropriate, the Fund consults with employers and members on various governance policies. This year the Panel agreed that it wanted to further open the lines of communication with members and the Fund made a commitment within its communications policy to issue a regular, at least annual, newsletter to all staff – members and non-members of the scheme.

The Fund recognises that it needs to make improvements in relation to monitoring the effectiveness of its communication with members. It needs to reassess the system for monitoring query resolution and other key performance indicators and put in place a system to report on these accordingly.

In 2023 the annual benefit statements for both active and deferred members were provided by the statutory deadlines and additional information was provided to members in relation to the McCloud judgement.

All relevant policies and statements have been published on the Royal Borough of Greenwich

website within relevant deadlines and members and employers have been able to attend all open sessions of the Pension Panel and Board meetings.

The Fund has a standalone Responsible Investment Policy and has created a new section of its annual report dedicated to Responsible Investment and written in line with the four core elements of the Taskforce on Climate-Related Financials Disclosures (TCFD) – these being governance, strategy, risk management and metrics and targets. Focus has been placed on ensuring that these items of communication are written clearly and concisely for members to highlight the risks and opportunities posed by climate change and their relation to pension fund investments. Furthermore, the Fund publishes its carbon footprint emissions data and in 2023 provided its first year on year comparator to show the Funds journey towards net zero.

Promotion of the My Self-Service tool has resulted in an increase in the uptake of members of the service. This has increased from 2,306 members as at 31 March 2022 to 9,110 members as at 31 December 2023.



Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

The Fund recognises the importance of integrating stewardship and investment. The Fund understands that the inclusion of environmental, social and governance (ESG) issues, such as climate change, within its stewardship of investments is key for the Fund to fulfill its responsibilities. The Fund will invest in line with its fiduciary duty and requires its investment managers to integrate all material financial factors contributing to long-term financial risk and returns, including ESG considerations, into their decision-making process for all Fund investments. It expects its managers to follow best industry practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the companies and markets to which the Fund is exposed.

Activity

The Fund began its ESG journey in 2019 and over the past few years has increasingly worked towards systematically integrating environmental,

social and governance issues into the Funds stewardship activities. The world of ESG is continuously changing and the Fund is mindful that it continues its responsible investment journey in line with the overall Fund strategy detailed in Principle 1, namely:

- ensuring that those charged with governance have the right information, taking time to research where necessary.
- ensuring training is timely, appropriate, and continual.
- being transparent and clear in our communications to stakeholders
- collaborating with other counterparties as a tool for objectivity and development
- engaging with relevant companies and investment managers to use our ownership of capital to drive change and
- reviewing our portfolio and activities in line with ESG issues to identify areas of risk and opportunity.

The Funds ESG journey to date can be found below:

March 2019	Initial inclusion of an ESG and Responsible Investment Policy within the Investment Strategy Statement
June 2021	The Panel agreed to invest 2.5% (£42.5m) of its new 5% infrastructure allocation in the London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund, leaving a further 2.5% to be allocated to other areas on infrastructure to provide further diversification
December 2021	The Panel received an initial report on the carbon footprint information available to the Fund, including information on the 'Meaning and Metrics' of carbon footprint data and the 'Coverage and Availability' of this data within the Fund
February 2022	<p>The Funds annual 'away day' focusing solely on ESG. The day was an opportunity for Panel and Board members and officers to receive further training on ESG issues and to have a round table discussion on the next steps for the Fund in relation to its climate ambitions. The day included:</p> <ul style="list-style-type: none"> • a high-level summary of the Funds carbon, fossil fuel and green energy exposure. • A presentation was given by Hermes EOS on the pros and cons of engagement vs divestment. • Presentations from 6 of the Fund's managers on ESG issues within each portfolio including examples of active engagement undertaken. • The Funds investment advisors proposed a three-dimensional framework to support the Funds climate ambitions including suggestions for, and a discussion on, the next steps required to build a Net Zero Roadmap and broader Responsible Investment policy.
July 2022	In collaboration with London CIV - Panel received the first annual report detailing the Funds carbon footprint.
July 2022	Development of a Net Zero Roadmap with a pledge to be carbon neutral by 2040 (and a commitment to explore options to meet this target sooner)
August 2022	The Fund produced its first standalone Responsible Investment (RI) policy.
February 2023	The Fund agreed to move global equities representing c15% of total assets into a low carbon equity Fund, this equated to £237.5m
July 2023	The Fund, in collaboration with the LCIV provided its second report detailing the Funds carbon footprint and provided the first year on year comparator.
July 2023	The Fund updated its Annual Report for 2022/23 to include a climate section reporting on the Funds activity in 2022/23 in line with the four core elements of the Taskforce on Climate-Related Financial Disclosures (TCFD)

The Global Real Estate Sustainability Benchmark (GRESB) is an internationally recognised benchmark for assessing the ESG performance of a property.

Expectations of Investment Managers

The Fund has a comprehensive Investment Strategy Statement and a standalone Responsible Investment (RI) Policy. The Fund recognises that the integration of stewardship and investment differs across asset classes and geographies. The Fund therefore has the following expectations of its managers:

- **Active** managers are expected to consider financial factors, including ESG considerations in their individual stock selection decisions.
- Work is underway to decarbonise the Passive Equity Fund, as can be seen through the Funds transition to a low carbon passive equity Fund during 2023, covered later in this section. However, the Pension Fund still expects any passive equity managers to use shareholder influence via engagement with the corporates in which they invest on ESG matters and to use their voting rights.
- The Funds property manager provides an annual Sustainability Report which details key ESG focused objectives for the year alongside an ESG maturity matrix assessment and GRESB scores per investment.
- The Fund expects its external investment managers to undertake appropriate monitoring of current investments regarding their procedures and practices on all issues which

could present a material financial risk to the long-term performance of the Fund including corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

- The Fund believes that the identification and effective monitoring of ESG issues is key to enable engagement with boards of investee companies to seek resolution to potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.
- Investment managers are required to provide copies of their responsible investment policies and are encouraged to report on their engagement activity with companies as part of their regular quarterly reporting to the Fund. The consideration of ESG factors, along with discussion on current examples, is also an item on the agenda at all meetings between the managers and the Panel / officers.
- The Fund holds pooled investments through the London CIV. The CIV has developed its own Responsible Investment Policy. The Fund will require the CIV to monitor the investment

managers appointed for their fund range and provide reporting on the engagement activities of those investment managers.

Procurement Practices and External Advice

The Royal Borough of Greenwich has a stringent procurement policy by which the Pension Fund abides when procuring services such as investment advice, actuary advice and custody services. As part of the contract standing orders process service providers are expected to incorporate social value into their bid which is assessed as part of the procurement process. The Fund also ensures that equality, diversity, and inclusion (EDI) features in the assessment criteria so that it can ensure the counterparties with whom it works have stringent, effective policies in place.

When obtaining a new investment mandate, the Pension Panel seeks advice from its investment advisors who have the requisite knowledge and skills. The Funds advisors undertake a full assessment of suitable Funds, providing a full product assurance review. ESG factors are integrated into this assessment, which is presented to Panel for review, discussion, and then decision of appointment.

The governance structure of the Fund assures that the selection of new managers/mandates are further reviewed the Pension Board.

Example - Acquisition of New Mandate

During 2023 the Funds advisors undertook reviews of the suitability of three Low Carbon Equity Funds. The review looked at the following criteria:

- Fund Overview (including but not limited to: objectives, tracking error vs benchmark, target carbon emissions, exclusions, Fund size & Fees)
- Ownership & Focus
- People
- Investment Process
- Responsible Investment

During this review the Funds advisors looked at staff turnover and team size, experience and expertise, investment philosophy, responsible investment policies and how it is executed and the suitability of the actual product design.

Each of the managers presented their offerings to the Panel on 27 February 2023, where Panel assessed each manager further and agreed to move £218.1m of global equities into the LGIM Future World Global Equity Fund. At the point of transition, the actual total moved equated to £237.5m. The Fund provides exposure to developed and emerging equity markets while reducing the weighting of companies with higher carbon emissions. Companies which fail to

meet the minimum expectations in relation to low carbon transition and corporate governance may be excluded from the fund. The index selected aims to meet specific climate objectives in line with the Paris Agreement. This includes an immediate 50% reduction in carbon intensity supported by a 7% year-on-year reduction in carbon emissions, aiming to be net zero by 2050.

The research and assessment undertaken during this process demonstrates the Funds commitment to ensure that those charged with governance have the right information to make decisions on behalf of the Fund and have the tools necessary to utilise the opportunities presented by climate change and work towards a more sustainable way of investing while still ensuring that its fiduciary duty takes president.

Engagement

As aforementioned, the Fund expects its investment managers to integrate all material financial factors, including ESG considerations, into their decision-making process and to use engagement, where appropriate, to promote good practice in the investee companies and markets within which the Fund is invested. Monitoring the engagement undertaken by the Funds investment managers as part of their investment decisions, especially on ESG factors, is an integral part of the Funds governance

to ensure that the Fund operates for the best interests of its members. As aforementioned under Principle 1, 2023 saw the introduction of investment manager presentations at each Board meeting which specifically focus on ESG and responsible investment. This provides a platform through which Board can ask questions and engage with managers directly on ESG.

Examples of engagement work undertaken by investment managers during 2023 includes:

Low Carbon Equities – The Fund manager is working under the Midwest Investors Diversity Initiative (MIDI) and leading an engagement with three companies within the Russell 3000⁶ who are not meeting diversity disclosure expectations. The engagement aims to work with the companies to discuss strengthening their policies in relation to the consideration of diversity across board candidates alongside adopting disclosure best practice with regards to the demographic make-up of the companies' workforces.

Property – In 2023, as part of engagement with an institutional UK real estate fund with a focus on secure long term income streams, the Funds property manager, contacted the funds underlying manager on a number of ESG related issues, including:

⁶ The Russell 3000 index measures the performance of the largest 3,000 U.S. companies representing approximately 96% of the investable U.S. equity market.

-Future plans for green building certifications across the fund's standing assets: the manager was due to commence their second phase of buildings to undergo BREEAM In-Use certification, the results of which they intended to share with tenants to help inform their own ESG actions.

-The fund's plans for transition planning in relation to net zero carbon targets, which included details of the fund's plans to engage with tenants in ESG matters and identifying opportunities for them to collaborate with tenants. This was despite the fact that all tenants were signed on full repairing and insuring (FRI) lease terms and there were no common, landlord control areas in the fund's portfolio.

-Plans to increase the proportion of energy sourced from renewable supplies: here the manager pointed to their tenant engagement programme, which included occupiers to switch to and fully utilise renewable energy tariffs from their utility providers.

Carbon Footprint and Fossil Fuel Reporting

As aforementioned, as part of the Funds ESG journey, the Fund has utilised the Climate Analytics services of the Funds pool manager the London Collective Investment Vehicle (LCIV). Continued monitoring of the Funds climate footprint enables the Fund to monitor progress against its Net Zero Roadmap and enables the Fund to report under the requirements of TCFD. The Fund received its first Climate Analytics report for the financial year ending

31 March 2022, which was presented by LCIV in July 2022. The latest Climate Analytics report as at 31 March 2023 was presented to Panel in July 2023 and provided the Funds first year on year comparator.

The chart below shows the reduction in carbon intensity of the Fund between 31 March 2022 and 31 March 2023. This is measured through the total carbon dioxide equivalents per million GBP invested (tCO₂e/mGBP).

	Direct + First Tier Indirect*	Scopes 1-2-3*
31 March 2022	185.4	835.1
31 March 2023	154.6	831.3
Total Reduction	30.8	3.8

** Direct and First-Tier Indirect (company emissions deriving from direct business activities or through the first tier of the companies supply chain) and Scopes 1-2-3 (direct operational emissions, emissions from consumption of purchased electricity, steam and other sources generated upstream from the company and emissions deriving from the in-use phase of a company's product or service)*

The data provided via the LCIV Climate Analytics Services also concluded that over the year the Funds implicit temperature had decreased from over 3 degrees Celsius (148,741 tCO₂e) to between 2 and 3 degrees Celsius (59,390 tCO₂e). This change had derived from two factors:

- The number of Funds with greenhouse gas emission (GHG) trajectories of over 3 degrees

Celsius, had reduced from 5 to 3 Funds during 2022/23.

- The prior year data included trajectories up to 2025, whereas the 31 March 2023 data included trajectories up to 2030.

Fossil fuel exposure per value of holdings had increased by 0.76% since 31 March 2022 however this was due to an increase value of holdings within the Funds passive equity mandate at the point of reporting. The Fund has not actively increased its investment in fossil fuels and the revenue weighted exposure remained the same at approximately 2.5%.

There is still more work to do in this area in relation to the availability and coverage of information. It is important to note that the current carbon footprint data covers approximately 54% of the value of Fund assets. The coverage across each mandate varies; however, the quality of data information is improving, and it is important to note that, at this stage, the quality of the data available is more relevant than achieving maximum coverage. The value of holdings exposure in relation to Renewables was 2.45% of the portfolio as at 31 March 2023, as more of the Funds capital commitment is called, the Fund expects the value of this exposure will improve. The Funds transition of £237.5m of its global equities to the LGIM Future World Global Equity Fund, a reduced carbon equities Fund will also have a positive impact on the carbon footprint of the Fund to be reported in 2024.

Outcome

The Fund is committed to incorporating material environmental, social and governance factors into its investment stewardship processes. The Fund has a standalone Responsible Investment policy and Net Zero Roadmap, designed to assist the Fund in maximising ESG opportunities and assessing ESG risks within its investment and stewardship activities.

The Fund seeks advice from its external investment advisors with regards to investment selection and assesses the risks and opportunities presented by climate change. During 2023 the Fund made the decision to move £237.5m of passive equities to the LGIM Future World Global Equity Fund. The restructure of this asset class allows the Fund to use its power as a shareholder to help drive change and assists the Fund in working towards its net zero target. This ensures that the Fund capitalises on returns driven by the energy transition so that it remains funded to fulfil its fiduciary duty to provide benefits to members when due.

The introduction of ESG specific investment manager presentations at each Board meeting during 2023, has provided a further layer of governance through which Board ask questions and engage with managers directly on ESG risks and opportunities. This helps

those charged with governance to establish the impact and importance of incorporating environmental, social and governance issues into the investment and stewardship activities of the Fund.

There is further work for the Fund to complete in this area. As aforementioned, the Fund reports annually on its carbon footprint and fossil fuel exposure, however the information available at the last reporting date only covered approximately 54% of the value of Fund assets. Data quality and coverage is gradually improving; however, the Fund needs to be mindful in its reporting that the information currently available provides a snapshot of just over half of the Fund. Reporting on this should improve moving forward as more information becomes available however the quality of data is of the utmost importance.

The Fund monitors and communicates with its investment managers on the engagement work undertaken in relation to ESG however the Fund needs to complete further work via its membership of the LAPFF, using its collective voice to challenge companies and influence best practice. At present, officers attend the quarterly business meetings and annual and mid-year conferences held by the LAPFF, however the Fund intends to actively engage further with the forum in 2024.



Principle 8

Signatories monitor and hold to account managers and/or service providers.

Context

The purpose of the Fund is to provide an efficient and effective pension scheme to deliver retirement benefits to members. The Fund has a responsibility to its members to provide value for money and assurance of the stewardship of Fund assets, therefore the monitoring of investment managers and service providers is a key component to achieving this. Day to day communication with Fund counterparties is undertaken by Fund officers who hold regular relationship meetings with third-party service providers including the Funds investment managers, the LCIV, the Fund custodian and the Fund actuary and investment advisors. The Fund also has in place various other methods through which it monitors the performance of its managers and advisors and through which it can escalate any causes for concern.

Activity

Procurement of Services

As part of the procurement process for Pension Fund services the Fund incorporates contract Key Performance Indicators (KPI's) into the tender specification. These KPI's are monitored throughout the life of the contract and should performance fall

below target for two or more reporting periods, the Fund expects the services provider to produce a performance improvement plan, including timescales for rectification of the under-performance.

Investment Advisors

The Fund receives investment advice from its advisors Hymans Robertson. Fund officers have a strong working relationship with the Funds advisors and meet with them regularly.

As mentioned under Principle 5, each year, in line with the Competition and Markets Authority (CMA) order the Fund agrees a set of objectives to monitor and assess the performance of the Fund investment advisors, Hymans Robertson. The Fund submits a Compliance Statement annually to the CMA regarding the strategic objectives set for our investment consultants and monitors our investment consultant's performance against these objectives.

Quarterly Performance

Both the Pension Panel and Pension Board receive quarterly performance reports from the Funds investment advisors, Hymans Robertson. These reports cover market background and manager performance against benchmark with a look at

historic performance. They Panel utilise these reports and the expertise of the Funds investment advisors to assess investment activity and act when required.

Investment Managers

Fund officers have regular communication with investment managers and meet with each manager at least annually. Alongside this, managers present regularly to Panel and Board. 2023 also saw the introduction of ESG specific Investment Manager presentations to Board. This platform allows Board to engage with managers in relation to their environmental, social and governance activities and allows Board to identify and challenge any gaps in this area.

If a managers performance raises concern, Panel will invite the manager to a meeting to gain further information and challenge/set targets where appropriate. The Fund undertook this process during 2023 when the Panel requested that the London Collective investment Vehicle (LCIV) provide a presentation on the performance of the LCIV Real Return and Absolute Return Funds. Following the presentation these Funds remain under monitoring.

Pooling

Officers have a good working relationship with the Funds pooling provider the London Collective Investment Vehicle (LCIV). The LCIV provide quarterly performance reports to officers which include performance information, engagement activity and an ESG summary. Officers also attend virtual monthly business update meetings held by the LCIV which act as a platform to find out the latest developments within the LCIV and act as an opportunity for officers to raise questions or concerns.

The LCIV hold an annual two-day in-person conference covering various relevant LGPS topics. As part of this event, the LCIV provides a more detailed, up to date breakdown of its operations and performance.

Fund Actuary

Officers hold monthly virtual meetings with the Funds actuary. These meetings cover relevant workstreams and provide a platform through which expectations of workloads and deliverables is discussed.

Annual Strategic 'Away Day'

The Fund holds an annual 'Strategic Away Day' within which investment managers, the Funds investment advisors and Fund actuary often provide updates on key work and performance against objectives. This provides a platform through which the work of each provider can be assessed and discussed as required.

Outcome

Officers have monitored investment managers and service providers regularly throughout the year via virtual meetings and calls and via participation at conferences and webinars. Officers have attended virtual monthly business updates with the LCIV throughout the year and used the platform to ask questions and gain information.

The Fund is happy that its investment advisors have achieved the objectives set for them. Last year the Pension Panel added a new requirement and objective to develop the Panels knowledge on ESG and climate risk to support the implementation of TCFD and to help the Panel understand the risks and opportunities presented by ESG factors so that the Panel can actively challenge counterparties on these issues to ensure strong stewardship of the Fund and meet the needs to the Funds members. The Fund is happy that this objective has been met in 2023.

The Funds annual strategic 'Away Day' provides a further platform through which officers, Panel and Board can interact and assess the work undertaken by various counterparties and challenge where necessary.

Throughout 2023 Panel and Board have received quarterly performance reports detailing the performance of the Funds' assets managers. The Panel has utilised the information provided through this process to engage with the LCIV on the poor performance of the LCIV Real Return and Absolute Return Funds. These Funds remain under monitoring. Investment Policy and Performance was also reported on within the 2022/23 Annual Report to provide information and transparency to members on the work undertaken by managers.

Officers have held monthly virtual meetings with the Fund actuary to discuss current and upcoming workstreams. Officers have also held meetings with the Fund Custodian, Northern Trust, to discuss performance and workloads.

The Fund sets out in its Investment Strategy Statement the guidelines within which it expects its investment managers to vote. Although the Fund receives voting activity reporting, the Fund still needs to complete further work in this area with regards to review of these reports and presentation to Panel which is not currently undertaken on a regular basis. The Fund needs to ensure that it reviews this area to confirm that managers are voting in line with the Funds voting policy.

Engagement

ROYAL BOROUGH OF GREENWICH
PENSION FUND STEWARSHIP REPORT



Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

Context

The Fund recognises that engagement with key counterparties is a primary tool to maintain and enhance the value of assets. It is therefore prevalent that the Fund not only has well developed principles and processes for engagement but that it also has clear and concise expectations of the engagement undertaken by other counterparties on its behalf.

Activity

The Fund undertakes engagement through various forms:

Indirect engagement through investment managers

- The Panel has appointed a number of investment managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. As mentioned in Principle 7, the Fund expects its investment managers to incorporate all material financial factors, including ESG factors which contribute to the long-term financial risk and returns, into their daily investment decisions. The Fund expects its managers to follow best industry practice and to engage with companies to promote good practice. The Fund takes stewardship, including manager best practices on engagement, seriously when appointing new

managers and considering new investment mandates and sets out its expectations. The Fund will assess the suitability of its managers were they not meeting the Funds expectations in this regard.

Indirect engagement through exertion of voting rights

- The Fund understands that the exercising of voting rights provides shareholders the opportunity to use their position as stewards of capital to promote corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

The Fund sets out its voting intention guidelines within its Investment Strategy Statement (ISS) and expects its investment managers to engage in voting activity within these guidelines (please see Principle 12 for more information on the Fund voting policy).

Engagement via LAPFF Membership – The Fund is a member of the London Pension Fund Forum – a member-led forum which aims to promote high standards of corporate governance through company engagement. The Fund can raise concerns regarding companies which it holds and can participate in engagement activities through the LAPFF.

Direct engagement with Fund service providers

- Fund officers meet regularly with various counterparties including its investment advisors, custodian, actuary, investment managers and the LCIV through which it holds pooled investments. These meetings provide the opportunity to engage on items such a service provision, investment performance, investment and funding strategies and legislative and policy developments. This engagement with the Fund counterparties is key to ensuring that the Fund is run effectively and efficiently for its members and to enhance the value of assets.

Direct Engagement with Panel and Board

- Every year the Fund holds an annual 'Strategic Away Day' for Board and Panel Members and Officers. Throughout the day various counterparties provide updates and training on relevant topics. It is an opportunity for Board and Panel members to discuss items such as engagement and the Funds expectations in relation to engagement with Fund counterparties. Prior to each Panel meeting the Accountancy and Business Partnering Manager for Investment Partnering holds a pre-meet with the Panel Chair and the Fund Investment Advisors to discuss the upcoming agenda with the objective of affirming the governance responsibilities in relation to the agenda.

Outcome

As stated in Principle 1 – part of the Funds strategy is to engage with relevant companies, investment managers and other counterparties to use our position as owners of capital to drive change. Some examples of engagement undertaken by the Fund this year include:

Direct engagement with Fund service providers - The Fund has engaged with the LCIV to provide carbon footprint data to the Panel as at 31 March 2022 and 31 March 2023. As part of this collaboration the LCIV has continued to provide training on the carbon metric data - the engagement with the LCIV meant that the Fund was able to gain understanding in this area and discuss what needed to be reported and why alongside how to compare year on year data effectively and meaningfully.

The Fund has also collaboratively engaged with its investment advisors, Hymans Robertson, who have produced a three-dimensional framework to support the Funds climate ambitions. In 2024 the Fund intends to re-review its net zero roadmap in collaboration with its investment advisors to assess what has worked and where more improvement is needed.

Direct Engagement with Panel and Board – Officers engage with Panel and Board members throughout the year not only during meetings but also via sending out training opportunities and events, researching and answering questions raised and through interaction at the annual ‘Strategic Away Day’ Panel and Board members have received training on the power of and processes for engagement.

Engagement via LAPFF Membership – The Fund monitors engagements undertaken by the LAPFF; however, the Fund has not actively engaged on a specific issue via the LAPFF this year. Fund officers have however started to ensure regular attendance at the LAPFF quarterly updates and the LAPFF are set to attend the next Strategic Away Day in February 2024 to discuss with Panel, Board and officers how the Fund can become more interactive with the forum to promote best industry practice and ensure strong corporate stewardship for the benefit of its members.

Indirect engagement through exertion of voting rights – Investment managers are expected to vote in line with the Funds policies however further work needs to be undertaken in this area. The Fund needs to establish a process for monitoring and reporting on the voting activity undertaken in more detail and this is something the Fund plans to undertake in 2024.

Example Engagement 1

The Funds Global Emerging Markets Manager has been in ongoing discussion with a leading sports company based in China since 2016. This proactive engagement has covered various themes including greenhouse gas (GHG) emissions management, raw material sourcing and diversity, and managing modern slavery in the supply chain. The investment manager has made requests to the company to improve coverage and disclosure on supplier audits and sent a recommendation letter to the company Board suggesting more urgency be put on supply chain management especially in relation to modern slavery. Following this engagement, the company has:

- improved the management of its suppliers by adding more indicators on supplier audits, increasing coverage of their audits in 2023 and enhancing their disclosure.
- Rolled out training internally and for their suppliers on forced labour.
- welcomed a new female board candidate in 2023. The female employee mix across the company is 45% and there is now a programme in place to encourage retention
- focused on product quality – looking at using recycled polyester and increasing its use in their products.

The manager will continue this engagement into 2024.

Example Engagement 2

The London CIV has previously reported on their successful engagement efforts with Shell regarding the company's climate strategy. At the company's 2022 AGM, London CIV voted 'Against' Shell's Energy Transition resolution, citing concerns over insufficient disclosures and misalignment with a 1.5°C target. The Pool informed us they continued to vote in favour of Follow This's¹ resolution supporting Shell to set Paris-aligned targets for all emissions. The Pool then wrote to Shell in October 2022, asking for a response on whether the Board intended to change course to mitigate its climate impact. London CIV expressed a strong belief that their recommendations would offer long-term benefits to Shell. The Pool confirmed that, unfortunately, no response was forthcoming from the company.

London CIV escalated their concerns by publicly endorsing ClientEarth's² groundbreaking lawsuit against Shell's board of directors for their mishandling of climate-related risks. In January 2023, London CIV released a letter of support

for ClientEarth's forthcoming shareholder claim, emphasising the Pool's shared concerns with Shell's Energy Transition Strategy and the Board's responsibility to address climate change risks. In May 2023, London CIV reported that its concerns on litigation risk are just a small part of their wider focus on climate change risk. At Shell's 2023 AGM in June, London CIV voted 'Against' to approve Shell's Energy Transition resolution due to continued concerns about the lack of key disclosures and misalignment with a 1.5c target. London CIV supported Follow This voting 'For' its shareholder proposal '2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement'.

In November 2023, London CIV issued a press statement in response to Shell's recent lawsuit against Greenpeace, which emphasised the multifaceted risks posed by climate change and the failure to address climate risks adequately, particularly in sectors like oil and gas, which contribute significantly to emissions.

In December 2023, London CIV joined a group of investors in co-filing a resolution at Shell, led by Follow This aimed at addressing the climate crisis as a whole in 2024.

The Pool reported that they divested Shell from their Global Equity portfolio last year, citing that the position was liquidated because London CIV and the investment manager had lost confidence in the company's renewable energy operations' growth trajectory.

London CIV will continue to engage further with Shell as part of their collaborative engagement efforts with other investors led by Follow This.

¹ Follow This is a non-profit organisation which empowers shareholders to vote for change by filing AGM resolutions on climate action.

² Client Earth is an environmental law charity which brings together lawyers, scientists and policy specialists to hold corporations to account.



Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Context

As mentioned in Principle I – a key part of the Funds governance strategy is to work in collaboration with other counterparties. The Fund sees this collaboration as a tool for objectivity and development and applies the viewpoint that we can learn from others. Collaborative engagement is therefore a key component of the functioning of the Fund to provide value for money for its members.

Activity

London Collective Investment Vehicle (LCIV)

The Fund is a member of the London Collective Investment Vehicle (LCIV). The LCIV pool is made up of the London Boroughs and City of London totalling 32 Shareholders. Officers have attended virtual monthly update meetings held by the LCIV which provide a vital platform through which pooled Funds can engage on a variety of topics and through which the LCIV can provide information and updates. Officers from the Fund also attended the annual LCIV Strategy and Responsible Investment Conference which provides a further engagement platform for

pooled Funds to openly discuss relevant topics. Most recently officers have sat on the Seed Investor Groups for upcoming Private Debt and Natural Capital mandates – helping to inform and shape the creation of these mandates through collaboration with the LCIV and other boroughs across the pool.

The LCIV also participates in collaborative initiatives with other financial institutions and industry bodies to drive outcomes at scale, which in turn better support the member Funds of the pool. These include (but are not limited to):

- **Climate Action 100+** – London CIV are a signatory of the investor initiative helping to drive the necessary corporate action on climate change for a Just Net Zero Transition. Climate Action 100+ now has over 400 investors with over \$35 trillion in assets.
- **Cost Transparency Initiative (CTI)** – The CTI is an independent group tasked by the Financial Conduct Authority (FCA) to deliver a standardised template for cost disclosures. London CIV informed the Fund that 100% of their investment managers report in line with the CTI.

- **Pensions for Purpose** – London CIV are an affiliate member of Pension for Purpose and participate in thought leadership discussions and publications to inform research and share their knowledge on impact investment. In 2023, London CIV collaborated with Pensions for Purpose on Diversity, Equity, and Inclusion, offering valuable insights for a research project exploring asset owner perspectives. Their contributions were well-received, leading to an invitation from Pensions for Purpose to speak at an Asset Owner panel discussing DEI perspectives in 2024.
- **Deforestation-Free Pensions Guidance** – Since 2021, London CIV has been one of the early pension fund group members of the deforestation free pensions guidance working group set up by Global Canopy, Systemiq and Make My Money Matter. The aim of the coalition is to develop practical guidance for pension funds to systematically identify, address, and eliminate deforestation, conversion, and associated human rights abuses from their investments.

Local Authority Pension Fund Forum (LAPFF)

As aforementioned the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which is a member-led forum which engages with companies to promote high standards of corporate governance. The forum's membership currently consists of 87 LGPS Funds and 7 pooled companies (including the LCIV) with aggregated assets under management of over £350 billion. The collective voice created by the volume of members and assets under management result in greater leverage and shareholder power to engage with companies to promote good governance. During 2023 the LAPFF engaged with 565 companies across 31 domiciles. Alongside this the LAPFF issues voting alerts to members on areas that it feels need further escalation.

The LAPFF also goes one step further in not only engaging at Board level with companies but also working with communities affected by poor corporate governance. Following engagements with major mining companies on human rights over the past 5 years, in 2022 the LAPFF visited Brazil to

engage with communities affected by the tailings dam collapses in Mariana and Brumadinho. This year the LAPFF published a report detailing its findings to further spread awareness of the importance of corporate stewardship and the role of companies to safeguard the communities within which they operate.

It must be noted that although the Fund is a member of the LAPFF – it has not actively engaged on a specific issue via the LAPFF during 2023. As aforementioned under Principle 9 – the Fund is looking to further its collaborative engagement with the LAPFF in 2024 to better utilise its membership of the forum.

⁷ The FCA is the UK regulator for financial services and markets.

Investment Managers

Although investment management is delegated to the Funds investment managers – the Fund managers can work collaboratively with other stakeholders on engagement issues should they deem it appropriate. This collective engagement work can be seen through the example below:

Since late 2020 the Funds Global Emerging Markets Manager has been coordinating an engagement in collaboration with Climate Action 100+⁸ with one of the worlds largest mining companies. The engagement, consisting of 6 institutional investors from Climate Action 100+ had focused on advocating for the company to disclose a mid to long term plan for reducing its carbon emissions and to set net zero emissions targets. Achievements through the engagement include:

- The company producing a clear outline of the roles and responsibilities of the Chairman of the Board and the Sustainable Development Committee
- Reporting has been aligned to TCFD recommendations.
- The companies CDP score on climate disclosure has been raised from C to B

- The company has completed a physical risk analysis and an analysis of the potential increased carbon prices on several climate scenarios.
- Raised awareness across top level management.
- Set mid to long term targets along with a net zero ambition by 2050 (for scopes 1 and 2)

The investment manager continues to work on this engagement noting that there is further work the company can undertake. Recommendations include:

- Release of scope 3 targets.
- Integrating internal carbon prices into investment decisions
- Linking executive remuneration to their new climate targets
- Specifying that new committee members have climate change expertise.

The investment manager will continue to follow up with the company on current progress and future plans.

Officers also attend the London Pension Fund Forum (LPFF) – a forum through which the Fund can discuss engagement issues with other London Boroughs.

Outcome

Collaborative engagement via membership of the LAPFF provides the Fund greater shareholder influence to engage with companies due to the economy of scale achieved through the pooling of members holdings. The additional benefit of LAPFF membership is that, due to the forum being specific to the LGPS, the members of the forum share common values and objectives.

This economy of scale is also achieved via the Funds pooled assets with the LCIV. The partnerships the LCIV has with various relevant bodies and ESG initiatives provides a large network through which the LCIV can engage with companies on the Funds behalf to drive shareholder value. The LCIV is a member of the LAPFF.

Although investment managers are responsible for day-to-day engagement with companies, officers and Board receive reports and presentations on this engagement work and where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, we expect and encourage our investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes where appropriate.

⁸ Climate Action 100+ is an investor-led initiative which works to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

Context

The Fund looks to influence companies via engagement versus divestment, believing that the Fund can use its leverage as a steward of capital to positively impact corporate behaviour. Were this to prove unsuccessful, the Fund would challenge the investment manager on their decision to continue to hold the company, with an aim for them to divest.

Activity

As aforementioned within principles 9 and 10 – day to day engagement and stewardship activities are delegated to the investment managers. The Fund does not operate an overarching escalation policy due to the diversity of investments. Instead, the Fund expects its investment managers and the London CIV to use their specialist knowledge to escalate concerns (including ESG concerns) where appropriate to influence issuers. Fund officers monitor regular reports from investment managers to review the engagement activity being undertaken.

In 2016 the Funds low carbon equity manager LGIM made its Climate Impact Pledge, a programme through which it encourages companies to work towards a low carbon economy and to tackle climate changes issues. LGIM now assesses over 5,000 companies across 20 'climate-critical' sectors.

If engagement via the pledge proves unsuccessful LGIM escalate their concerns via other methods. In 2023 LGIM co-filed shareholder resolutions at Glencore and ExxonMobil due to insufficient progress after years of engagement. LGIM also added two companies to their divestment list (Air China and Cosco Shipping Holdings) following lack of improvement versus minimum expectations.

Fund officers hold regular meetings with investment managers who are also invited to present to Panel and Board, where suitable. From these meetings the Fund can request for escalation of engagement issues if required.

London CIV outlines their escalation approach in their Stewardship Policy. The pool informed us that they prioritise engagement as a first line of action. They acknowledge that one-on-one engagement is not always effective, however they do not see selling holdings as an immediate solution because divestment alone results in losing influence and the opportunity for future dialogue. Therefore, escalation methods remains integral in their engagement strategy. The pool emphasises that there is no uniform approach to escalation, and certain options may be skipped or omitted due to asset class or regulatory constraints.

Where engagement dialogue does prove to be unsuccessful, the pool considers other strategies to influence a company's behavior. Further steps may include:

- Escalating the issue with the investment manager to advocate for the improved outcome by portfolio companies
- Opposing and instructing investment managers to oppose management on key resolutions and/or against the re-election of directors who are responsible for the topic in question (listed equity)
- Attending AGMs to trigger more dialogue with boards and executives (listed equity)
- Filing or co-filing shareholder resolutions in relation to ESG issues of concern (listed equity)
- Submitting one or more nominations for election to Board (listed equity)

- Reducing exposure
- Litigation
- Divestment: London CIV only use this as a last resort when previous persistent engagement activities were unsuccessful

As aforementioned the Fund is also a member of the LAPFF through which it can collaboratively escalate areas of concern further should it feel that a company is not adhering to its stewardship commitments or responding to initial engagement. The LAPFF issues voting alerts on areas it feels need further escalation. As aforementioned, the Fund has not undertaken escalation on engagement stemming from the LAPFF voting alerts during 2023. The Fund intends to work more closely with the LAPFF in 2024 to utilise its membership of the forum more effectively.



Outcome

The Fund believes that we must be responsible asset owners and therefore ongoing engagement is preferable to divestment. The Fund expects its investment managers and the LCIV to actively engage with companies on areas of risk and concern to protect/increase shareholder value.

The Fund is a member of the LAPFF who engage with companies on various issues, including ESG risks, on behalf of local authority pension funds.

The Fund encourages its investment managers, the LCIV and the LAPFF to utilise various means to influence a company if engagement were proving unsuccessful, these include (but are not limited to) exerting voting rights, submitting nominations for company Boards, making a public statement regarding concerns or expressing concerns during shareholder meetings.

The Fund is mindful that a lack of engagement from companies can serve as a warning that there may be other governance issues and that this may present a risk to the Fund. If all other forms of engagement were exhausted, and the Fund believed the risk of holding a particular company could be detrimental to the Fund, it would then consider divestment.



Exercising Rights and Responsibilities

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Principle 12

Signatories actively exercise their rights and responsibilities.

Context

The Fund recognises the importance of actively exercising the voting rights attached to its investments to ensure that the companies within which it invests operate under the highest standards of governance. The Fund believes it should use its position as owner of capital to help drive real world change in relation to environmental, social and governance issues as well as to promote corporate responsibility. The Fund has a commitment to utilising its voting rights to reflect its belief that this ultimately protects the financial interest of the Fund and its beneficiaries.

Activity

Voting Guidelines

For pooled mandates the Fund has delegated the exercise of voting rights to its investment managers and expects managers to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f).

For segregated mandates the Funds Investment Strategy Statement sets out the Funds Voting Intention Guidelines. These are as follows:



	Voting Governance Issues	Action if Negative
CHAIR/CHIEF EXECUTIVE	Role of Chair and Chief Executive should be separate to avoid concentration of power	Vote against Chair/Chief Executive re-appoint as Director.
NON-EXECUTIVE DIRECTORS	Board must have a minimum of 40% non-executive Directors	Vote against appointment of all Executive Directors
	Non-Executive Directors should not hold such a position in a competitor	Vote against re-appointment when up for re-election
DIRECTORS	There should be formal appointments for all Directors	Vote against all Executive Directors
REMUNERATION COMMITTEE	The Committee should be answerable to the shareholders at the AGM	Vote against acceptance of the accounts. Vote against the reappointment of Chair as Director.
GENERAL	All Directors need to seek re-election at least every three years (by rotation)	Vote against acceptance of accounts.
	There shall be an Audit Committee	Vote against acceptance of accounts.
AUDIT COMMITTEE	The Audit Committee should have a majority of Non-Executive Directors	Vote against acceptance of account
	The Audit Committee shall meet with the Auditors at least once in the year without Executives present.	Vote against acceptance of accounts.
REPORTING AND CONTROLS	The Directors shall report on fraud uncovered that exceed £100,000 and action taken	Vote against acceptance of accounts
THE CADBURY CODE	There shall be no rolling contracts of more than 12 months	Vote against all relevant Directors re-appointments
	There shall be full disclosure of all emoluments received by Directors.	Vote against re-appointment of all Directors
	There shall be transparent disclosure of the basis of performance related payments.	Vote against re-appointment of Chair of Remuneration Committee as a Director.
	The basis of executive share options granted shall be subject of shareholders resolution, be voted upon at least every five years and meet the guidelines of the Inland Revenue and the national Association of Pension Funds.	Vote against acceptance of accounts.
	There shall be full disclosure of share options granted to Directors and the Executive and those exercised in the preceding 12 months.	Vote against all Directors re-appointments.

	Voting Governance Issues	Action if Negative
AUDITORS GENERAL	The Auditors shall not be given or awarded additional work with the company that exceeds 50% in value of the Audit contract.	Vote against all Director Members of Audit Committee. Vote against the re-appointment of Auditors.
	The Board shall contain no former employee of the audit firm	Vote against Directors re-appointment who come into this category.
OTHER MATTERS	The Company shall not make any political or quasi-political donations	Vote against acceptance of accounts. Vote against Chair's re-appointment.
	The Company shall indicate how it ensures equal opportunity is genuinely available.	Seek compliance through written Contract.

Investment Managers - Reporting

Investment managers are required to provide copies of their voting policies, and these are reviewed by officers and considered as part of the appointment of a manager. Investment managers are asked on an annual basis to provide an update on any changes to their policies.

The managers are also required to report on their voting activity as part of their reporting to the Fund and the Fund expects managers to provide suitable context when reporting on their voting and engagement activities. The Fund expects managers to explain the rationale behind the actions they have taken, the relevance to the Fund, and outcome of engagement activity.

During the year the Funds passive equity manager voted on 73,670 proposals on the Funds behalf, this represents 93.7% of votable proposals. Of these 69,540 were with management and 4,130 were against management as follows:

Votes For	66,010
Votes Against	5,334
Other	2,326

During the year the Funds Low Carbon Equity Manager voted on 16,489 proposals on the Funds behalf, this represents 99.89% of votable proposals as follows⁹ :

Resolutions voted with management	13,425	81.42%
Resolutions voted against management	3,011	18.26%
Resolutions abstained from	53	0.32%

The Funds low carbon passive equity manager LGIM has been an advocate for equal voting rights. Voting is an essential right for shareholders and LGIM is a strong proponent of the 'one share, one vote' standard, based on the principle that control of the company should be equal to one's economic interest.

⁹ Please note that on 21 June 2023 the Fund moved £237.5m of passive equities to a Low Carbon Passive Equity Fund. The totals above relate to the total votes across both mandates for the period of the year within which the Fund was invested.

– a notion that the Fund fully supports, in order for shareholders to use their influence to drive change. As part of its equal voting rights campaign LGIM has used its voting power to help drive change in this area. Up to the end of May 2023, LGIM voted against 95 companies under the campaign. LGIM has also taken its campaign one step further by investigating the overlap between these votes and those against combined chair/ CEO roles and have established that there is commonality in about one third of cases. LGIM continues its work in this area.

LCIV

The voting policy of the London CIV is included within its Responsible Investment policy, and we expect the London CIV to take an active approach to voting and engagement. In 2021 Hermes EOS were appointed by the LCIV to assist the Pool in exercising its voting rights in line with the interest of its stakeholders. Hermes also engages with investee companies to enhance the long-term value of partner funds' investments within the Pool.

LAPFF

The Fund receives climate voting alerts from the LAPFF on issues it feels are of importance to its members including climate targets plans, transition resolutions and lobbying.

Outcome

The Fund believes that active voting is vital for effective stewardship and protects shareholder value. Voting ensures that the companies within which the Fund invests have strong corporate governance and are equipped to deal with risks and take opportunities posed by climate change – this in turn results in better returns and therefore benefits Fund members in the long-term.

The Fund has a clear set of voting guidelines and requires its investment managers to be transparent in their voting policies and procedures. The Fund receives voting reports from its managers who provide context and rationale behind their voting decisions. The Fund also receives voting alerts from the LAPFF who flag any voting set to take place on areas which they think are of specific interest to their member Funds.

However, the Fund recognises that it needs to do more in 2024 to take further action in relation to its voting review. Although the Fund receives information from its investment managers and pool the Fund does not currently report on this regularly to Panel. In 2024 the Fund intends to undertake an in-depth review as to how it can effectively monitor and report on its voting and how this is presented to Panel and to Fund members.



Next Steps – Action Plan

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As mentioned in the introduction to this report the Royal Borough of Greenwich Pension Fund believes that effective stewardship is not a 'tick box' exercise. As asset owners we see stewardship as a key factor in exploring risks and opportunities for the Fund including those posed by ESG related issues.

Below is a list of our intended key next steps on our governance journey:

Net Zero Roadmap	In 2024 the Fund intends to re-review its net zero roadmap in collaboration with its investment advisors to assess what progress has been made to date and where further improvement is needed.
Conflicts of Interest	The Fund intends to undertake a re-review of the current conflict of interest policies in place across its external providers including the LCIV to ensure that their conflicts of interest policies are still fit for purpose and to maintain this review on a regular basis.
Communication with Members	The Fund needs to make improvements in relation to monitoring the effectiveness of its communication with members. It aims to reassess the system for monitoring query resolution and other key performance indicators and put in place a system to report on these accordingly.
Engagement through LAPFF	The Fund intends to undertake a review of how it engages with the work undertaken by the LAPFF and how it can utilise its membership of the forum to use a collective voice to challenge companies and influence best practice.
Voting	The Fund needs to complete further work in relation to monitoring and reporting on voting across its investments. The Fund needs to ensure that it reviews this area to confirm that managers are voting in line with relevant voting policies.
Government Consultation on LGPS Investments	The Fund will continue to consider next steps in light of the Governments consultation on Investments to ensure that asset allocation decisions are made in the best interest of Fund beneficiaries. A review of un-pooled investments against opportunities via the LCIV will be undertaken as we move into 2024.



The Fund will continue to review and define its governance arrangements into 2024 and beyond and is committed to active stewardship to fulfil our purpose of providing pension benefits for our members and their dependents, alongside delivering value for money for the Royal Borough of Greenwich and other employers within the Fund.

For any comments or questions please contact the Fund via the details below - we welcome feedback on our work undertaken thus far.

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Investment Strategy Statement (July 2023)

1. Introduction and background

This is the Investment Strategy Statement (“ISS”) of the Royal Borough of Greenwich Pension Fund (“the Fund”), which is administered by the Royal Borough of Greenwich Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

The ISS has been prepared by the Fund’s Pension Fund Investment & Administration Panel (“the Panel”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Panel acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Panel on 24 July 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Panel has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Panel seeks to invest in accordance with the ISS, 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 dated June 2023.

The Fund has chosen to opt-up and be classified as a Professional Client as defined in the Markets in Financial Instruments Directive.

In line with the Competition and Market Authority’s Order, the Panel agreed a set of objectives with Hymans Robertson LLP. These will be reviewed on, at least, an annual basis.

2. The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Panel aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Panel has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Panel’s views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

It is intended that the Fund’s investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

In June 2023, the Fund carried out an asset liability modelling exercise in conjunction with the 2021 actuarial valuation. A number of different contribution rates and investment strategies were modelled and the implications of adopting a range of alternative investment strategies were assessed. The Panel considered the probability of being fully funded at the end of the projection period and considered the level of downside risk under a range of different scenarios.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

A summary of the expected returns and volatility for each asset class is included later in this statement.

In addition, the Panel monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile;
- The level of expected risk;
- Outlook for asset returns; and
- Environmental, Social and Governance (ESG) factors.

The Panel also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, accepting that given the nature of some of the underlying investments, it may take the Fund time to move to the target allocations.

The Panel reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Panel and is only made between the Fund's liquid assets. Among the factors taken into account by the Panel in its decisions are:

- the materiality of under and overweight positions;
- any asset transitions that are already scheduled;
- market views on the relative attractiveness of different asset classes;
- liquidity and transaction costs; and
- the confidence of the Panel in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

3. Strategic asset allocation

Following an asset-liability modelling exercise carried out as at 31 December 2022, the Panel has agreed the following updates to the long-term strategic asset allocation:

- A 5% decrease in the allocation to equities, to 40%;
- Reshape the allocation to illiquid assets by increasing allocations to private debt and infrastructure to 10%;
- These increased allocations will be funded by an 8% decrease in the allocation to multi-asset funds, to 5%, and a 2% decrease in the allocation to multi-asset credit, to 10%.

The Panel also assessed the merits of investing 5% of Fund assets in private equity. This option will be explored in more detail when a suitable product is made available through the London CIV.

The Panel has agreed the following target investment strategy for the Fund. It will be necessary for the Fund to allow time for these arrangements to take effect.

Asset class	Current target allocation (%)	Target allocation (%)
Listed equities	45.0	40.0
Private equity	-	-
Total Growth Assets	45.0	40.0
Multi-asset funds	13.0	5.0
Property	10.0	10.0
Infrastructure	5.0	10.0
Private debt	5.0	10.0
Multi-asset credit	12.0	10.0
Total Diversifying Assets	45.0	45.0
Corporate bonds	5.0	7.5
Government gilts	5.0	7.5
Total Protection Assets	10.0	15.0
Total	100.0	100.0

In setting this target asset allocation the Fund has considered the Funding Strategy Statement to ensure that the investment strategy is compatible with achieving its locally determined solvency target.

4. Rebalancing policy

A rebalancing policy aims to ensure that the Fund:

- Maintains the desired strategic risk/expected return balance across the assets;
- Maintains the desired allocation between various managers;
- Locks in some of the gains when a particular asset class or manager outperforms relative to the others; and
- Buys into relatively 'cheap' asset classes or managers when they underperform.

A typical rebalancing framework consists of a central target allocation with a rebalancing range for each asset class and/or manager. Where an asset class and/or manager has breached its rebalancing range, assets should ideally be bought or sold in order to bring the breached funds back to their target allocations.

The Fund's allocation to each asset is compared with the target allocations on a quarterly basis. This will allow the process to be operationally simplified with the aim to balance frequent rebalancing with the cost of managing this process. This pragmatic approach would take into account any cashflows and investments/disinvestments made over each quarter and is a long enough period for any volatile movements to be smoothed.

As the Fund will gradually be implementing its new target asset allocation and also transferring investments into the London CIV, specific rebalancing ranges in relation to the new target allocations have not been agreed at this time.

5. Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Panel reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Panel seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Panel is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's long-term strategic target asset allocation helps to inform associated maximum percentage limits for each asset class. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Long-term expected returns

The long-term asset class returns assumed within the asset liability modelling exercise were as follows. These returns reflect financial conditions as at 31 December 2022.

Asset class	Median expected return over 17 years (% p.a.)
UK equities	7.7
Global equities	7.9
Emerging markets equities	7.8
Multi-asset funds	5.4
Property	6.6
Infrastructure	8.0
Private debt	9.3
Multi-asset credit	6.7
Corporate bonds	6.6
Government gilts	4.2

At 31 December 2022, the expected volatility of the investment strategy was 10.8% p.a. This volatility includes an assumed diversification benefit. In the absence of this diversification, the expected volatility would have increased to 19.1% p.a. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Panel's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and rebalancing is considered on a quarterly basis to maintain the asset split close to the agreed asset allocation target. Therefore it is not felt necessary to set additional restrictions on investments.

Managers

The Panel has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Panel, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the index-tracking funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

6. The approach to risk, including the ways in which risks are to be measured and managed

The Panel is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Panel's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are considered below. The Panel monitors and manages risks in these and other areas through use of a detailed Risk Register process.

Funding risks

Key funding risks considered include:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Panel measures and manages financial mismatch in two ways.

The Panel has set a strategic asset allocation benchmark for the Fund, which was set taking into account asset-liability modelling which focused on probability of success and level of downside risk. The results from the 2022 analysis highlighted the Fund has a greater than 75% probability of being fully funded in 2040. The downside risk measure shows that the funding level in the average of the worst 5% of outcomes projected to 2028 is c53%. This analysis reflects the current investment strategy and level of agreed contributions and is based on financial conditions as at 31 December 2022. This analysis will be revisited as part of the 2025 valuation process.

The Panel assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Panel also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Panel also seeks to understand the assumptions used in any analysis and modelling so these can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Panel seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

Key asset risks considered include:

- Market risk – The risk that the market value of the Fund's assets falls.
- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.
- Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

The Panel measures and manages asset risks in a number of ways.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Panel has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Panel has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Panel also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

The Panel has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a significant proportion of the Scheme's assets managed on a passive basis. The Panel assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. Other factors include, but are not limited to, the Panel believing that manager is not capable of achieving these

performance objectives in the future, and/or there are significant staff changes to their investment team. The Fund will also have regular correspondence with the London CIV regarding their managers and their approach to monitoring and assessing managers.

Other provider risks

Other provider risks considered include:

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Panel seeks suitable professional advice.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Panel monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Panel has the power to replace a provider should serious concerns exist. Further details of the Fund's approach to pooling and its relationship with the London CIV are provided below.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

7. Approach to pooling investments, including use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") will operate was set out in the July 2016 submission to Government.

Assets to be invested in the London CIV Pool

The Fund's intention is to invest its assets through the Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

- 1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- 2 That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2024.

At the time of preparing this statement the Fund has already invested the following assets via the Pool. Note this includes investments in index-tracking equity funds with BlackRock and LGIM, which are commonly regarded as pooled assets even though they sit outside the Pool.

Asset class	Manager	% of total Fund assets*
UK equities	BlackRock	14%
Global equities	BlackRock ¹	15%
Global equities	BlackRock	10%
Multi-asset funds	London CIV	13%
Private debt	London CIV	4%
Infrastructure	London CIV	1%
Total		57%

*Allocations as at 31 March 2023. Note totals may not sum due to rounding.

At the time of preparing this statement the following assets are not invested via the London CIV Pool. This shows that the Fund holds c17% of its assets in illiquid strategies (diversified private markets assets and property) and these will remain outside of the London CIV pool for the time being. The cost of exiting from some of these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the Pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

Asset class	Manager	% of Fund assets*	Reason for not investing via the Pool
Emerging markets equities	Fidelity	8%	Scheduled for review in 2024
Private markets	Partners Group	7%	Illiquid mandate, being wound down
Property	CBRE	10%	Illiquid mandate
Multi-asset credit	Fidelity	10%	Scheduled for review in 2024
Bonds	Fidelity	9%	No equivalent fund available via the Pool at present time
Total		44%	

* Allocations as at 31 March 2023. Note totals may not sum due to rounding.

The Fund will consider participating in pooling arrangements for the current and/or future property investment investments if suitable solutions are made available by the Pool.

¹ The Panel has recently selected a replacement fund for this investment, namely the LGIM Future World Global Equity Fund. This change will be reflected in the next ISS.

Structure and governance of the London CIV Pool

The July 2016 submission to Government of the Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS. In the meantime, further information is provided on the London CIV's website (<https://londonciv.org.uk/>)

8. How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Panel considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Panel considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. As a result, the Panel has committed to undertaking a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Once this audit has taken place the Panel intends to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Panel's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c30% of the Fund's assets sit within the London CIV and this percentage is expected to grow over time.

At this stage, the Panel has not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon exposure. Some flexibility may be appropriate to allow the Fund to adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Panel considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Panel, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

The Panel consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- Ongoing engagement is preferable to divestment
- We must act as responsible owners
- The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making

More detail on these beliefs can be found in appendix 1.

The Panel takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Panel does not take into account non-financial factors when selecting, retaining, or realising its investments. The Panel understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

9. The exercise of rights (including voting rights) attaching to investments

Voting rights

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Panel has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The investment managers have all provided copies of their voting policies and these have been reviewed by the officers. The managers are asked on an annual basis to provide an update on any changes to their policies. The Panel monitor the voting decisions made by all its investment managers on a regular basis.

The voting policy of the London CIV is included within its Responsible Investment policy, which is developed in consultation with all of the Pool's partner funds. Hermes EOS are appointed to assist the Pool in exercising its voting rights in line with the interest of its stakeholders and engaging with investee companies to enhance the long-term value of partner funds' investments within the Pool.

Engagement

The Panel has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Panel expects any directly appointed investment managers to also comply with the Stewardship Code and this is monitored on an annual basis. A copy of the Fund's statement of compliance with the Stewardship Code can be found on the Fund's website. The London CIV is also a signatory to the Stewardship Code.

The Panel expects any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

The Panel supports engagement activity that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment;
- Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy; and
- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Chartered Institute of Public Finance ("CIPFA") Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in appendix 2.

Further details are set out in the Fund's Responsible Investment Policy in appendix 1.

Additional Voluntary Contributions (AVCs)

The Fund gives members the opportunity to invest in a range of vehicles at the members' discretion.

Appendix 1 – Responsible Investment Policy of the Royal Borough of Greenwich Pension Fund

The purpose of this policy is to set out our Responsible Investment beliefs and principles, and the approach we are taking to fulfilling our commitments.

Introduction

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund (“the Fund”). The Fund administers the Local Government Pension Scheme (LGPS) on behalf of around 25,893 members which comprises 63 active employers with 8,064 members actively contributing into the Fund, 7,856 members drawing benefits from the Fund and the remainder with rights to deferred benefits. [Figures as at 31 March 2022.]

Within its Constitution, the Royal Borough of Greenwich has delegated responsibility for the administration of the LGPS to a Panel of elected councillors. The Pension Fund Investment & Administration Panel (“the Panel”) is the decision-making body for the Fund. It is assisted in its role by a Local Pension Board, made up of representatives of LGPS members and LGPS employing organisations. Our fiduciary duty is to act in the best financial interests of members of the Fund and ensure that the Fund’s objective, as set out in the Investment Strategy Statement, is met. Our aim when setting the investment strategy is to strike an appropriate balance between generating satisfactory long-term returns whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

Responsible Investment

We define Responsible Investment (“RI”) as the integration and consideration of environmental, social and governance (“ESG”) issues into investment processes and stewardship activities. We recognise that ESG issues represent a material financial risk, which could have a negative impact on the value of the Fund’s investments particularly if the risks are not understood or evaluated properly. We should therefore seek to understand and manage the ESG issues to which the Fund is exposed. We consider ESG issues that are financially material, including climate change.

This policy sets out the actions we are taking to understand and manage ESG issues for the benefit of Fund members and other stakeholders. The aim is to protect the value of the Fund’s investments from ESG-related risks and to also capitalise on the investment opportunities that ESG issues, such as climate change, may provide.

Our RI beliefs and principles

We have agreed the following beliefs and principles as the basis for our RI policy:

- We believe that ESG issues can have a material impact on the long-term risks and returns from the Fund’s investments, and there is an opportunity to positively impact investment returns by taking decisions with a long-term outlook and recognising the significance of ESG-related risks. We will engage with the London CIV, and our investment managers and advisers to understand the nature of these risks and identify investment opportunities which may also arise.
- Climate change, specifically, presents a financial risk over the Fund’s investment time horizon. As asset owners, we have the ability and duty to support the transition to a low carbon economy.
- We will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a “positive impact” can be considered if they are consistent with the overall objectives of the Fund’s investment strategy.

- We believe we have a duty to consider the wider environmental and social impacts of investments. We believe that we should generally avoid investing in the most harmful companies and sectors.
- It is the role of the Fund's active managers to carry out the necessary due diligence and take all relevant factors into account for each individual stock selection decision that they take. Therefore, we will not place restrictions on active managers in terms of stocks they can hold.
- Whilst active managers are expected to take ESG issues in their individual stock selection decisions, it is acknowledged that index-tracking managers will invest in line with the index set out in their mandate. We recognise that the choice of benchmark index is an important consideration for index-tracking mandates.
- We will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed directly with managers, through involvement in the London CIV and also through membership of the LAPFF.
- Engagement with underlying companies where the Fund owns shares is the preferred approach to influencing company behaviour rather than divestment.
- We will encourage our investment managers to exercise stewardship and active ownership responsibilities effectively, through voting and engagement activities. This includes using our influence as asset owners to encourage positive behaviour from the managers, working in conjunction with the London CIV where appropriate.
- We will publish this policy and incorporate our RI policies and approach into the way that we engage and communicate with members.

Our approach

We take the following steps to ensure the investment strategy is aligned with our RI beliefs and principles.

Integrating ESG issues into the investment decision-making process

We aim to integrate consideration of ESG issues throughout our investment decision-making process, including setting the investment strategy, and the selection and monitoring of the Fund's investment managers. We are supported in these aims through regular and ongoing input from, and engagement with, our investment advisers and the London CIV.

When looking to appoint a new investment manager or allocate money to a new fund, we will review the manager's RI policy with input from our investment advisers. This review will consider the manager's overall approach RI, including how they integrate ESG issues into their own investment decision-making process, and their approach to stewardship.

We undertake training on a regular basis and this includes training and information sessions on ESG issues, including climate change, and how these could impact the Fund's assets and liabilities.

ESG risk monitoring and assessment

Our processes to monitor and assess ESG-related risks and opportunities include the following:

- Our investment advisers monitor the Fund's managers on an ongoing basis from an ESG perspective. Where available, this includes assigning an 'RI rating' which reflects the commitment of the manager to ESG integration and the practices they apply. We monitor these RI ratings on a quarterly basis.
- These RI ratings are also a key consideration when the Panel is appointing a new investment manager or allocating money to a new fund.
- We ask our investment advisers to highlight opportunities to invest in responsible investment strategies and will give due consideration to any proposals.

- The Fund will analyse the carbon intensity of the assets on an annual basis and consider climate change scenario analysis at least triennially to review potential risks to the funding and investment strategy and consider whether any action is required to mitigate these risks.
- We expect our asset managers to understand our RI beliefs and requirements. We provide our policy to our investment managers and to the London CIV.
- In the event that any investment manager does not meet any of the expectations listed in this policy, Officers will engage with the respective stakeholders to encourage improvements in processes, transparency or activity as required.
- With the support from our investment advisers, we carry out an annual review of the ESG profile of the funds to support identification of areas of potential ESG risk and engagement opportunities.

Expectations and monitoring of investment managers, including the London CIV

We require our investment managers to integrate all material financial factors, including ESG issues, into their investment decision-making processes.

We expect our managers to follow best industry practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

We expect our investment managers to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage.

Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, we expect our investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

We expect investment managers to comply with the UK Stewardship Code Principles and expect them to be a signatory to the 2020 UK Stewardship Code and to the Principles for Responsible Investment (PRI).

Our investment managers have provided copies of their RI policies. The managers are asked on an annual basis to provide an update on any changes to their policies. The managers are also encouraged to report on their engagement activity with companies as part of their regular quarterly reporting. The consideration of ESG factors, along with discussion on current examples, is also an item on the agenda at all meetings between the investment managers and the Panel/Officers.

We monitor this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The London CIV has developed its own RI policy. We will continue reviewing this policy and engaging with the London CIV to ensure that its strategies and beliefs are still aligned with ours. We will also require the London CIV to monitor the investment managers appointed for their fund range and provide reporting on the engagement activities of those investment managers.

Stewardship – voting and engagement

We recognise the importance of our role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which our investments reside. This ultimately protects the financial interests of the Fund and its beneficiaries.

We have a commitment to actively exercising ownership rights attached to our investments, reflecting a conviction that responsible asset owners should maintain oversight of the companies they invest in, recognising that the

companies' activities impact upon not only their customers and clients but more widely upon their employees and other stakeholders and wider society.

We have delegated the exercise of voting rights to the investment managers on the basis they will exercise this power with the objective of preserving and enhancing long-term shareholder value.

The investment managers have provided copies of their voting policies and these have been reviewed by Officers. The managers are asked on an annual basis to provide an update on any changes to their policies. The managers are also required to report on their voting activity. We publish a report of voting activity as part of the Fund's annual report.

We expect the London CIV to take an active approach to voting and engagement and we will monitor its activity in these areas.

We review the stewardship activities on an annual basis with input from the Fund's investment adviser and will engage with managers and the London CIV as required.

We encourage the investment managers to provide suitable context when reporting on their voting and engagement activities, to explain the rationale for the actions they have taken, the relevance to the Fund, and outcome of engagement activity.

The Panel has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. A copy of the Fund's statement of compliance with the Stewardship Code can be found on the Fund's website.

The London CIV is a signatory to the Stewardship Code.

We believe in collective engagement and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

Climate change

We consider that significant exposure to high carbon emitting companies and projects within portfolio could pose a material financial risk to the value of the Fund's investments.

We have committed to undertaking a carbon footprint exercise for the Fund to quantify the Fund's current carbon emissions. We will then develop a plan to reduce the Fund's carbon emissions. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Panel's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c55% of the Fund's assets sit within the London CIV and this percentage is expected to grow over time.

At this stage, we have not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon emissions.

Disclosure and reporting

We recognise that transparency and disclosure is an important aspect of being a responsible investor. In support of this, this RI policy is being made available to members. We will review this policy at least every three years or as required as a result of legislative changes or industry developments.

Appendix 2 – Myners Principles

Principle	Response on Adherence
<p>1 - Effective Decision Making</p> <p>Administering authorities should ensure that:</p> <ul style="list-style-type: none"> Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation. Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>Council has delegated decision making in respect of the Pension Fund to the Pension Fund Investment and Administration Panel. This panel is a subcommittee of Council. It convenes a minimum of four times a year and contains four Greenwich Councillors with full voting rights.</p> <p>Representatives from admitted bodies and the trade unions are able to participate as members of the Panel. The Terms of Reference for the Panel are shown in Appendix 4.</p> <p>Training is undertaken by Trustees at appropriate levels to meet the CIPFA Knowledge and Skills Code. Trustees are remunerated in line with their capacity as Council Members. The sub-committee is supported by an in-house team which monitors day-to-day activities on the fund. The Panel engages its fund managers each year. The Director of Finance is responsible for day-to-day monitoring of the fund and prepares the committee reports.</p> <p>A two-year rolling business plan has been developed and approved by the Panel.</p>
<p>2 - Clear objectives</p> <p>An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administering authority and scheme employers. These should be clearly communicated to advisers and investment managers.</p>	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The investment objectives of the fund are stated in the Investment Strategy Statement. These take into account the scheme's liabilities, the impact on employer contribution rates and the schemes attitude to risk. The asset allocation and benchmarks of the Fund are set with the aim of achieving these objectives and are communicated to investment managers. The Funding Strategy Statement evaluates the effect of the covenant upon employers and the Fund.</p>

<p>3 - Risk and liabilities</p> <ul style="list-style-type: none"> • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The investment strategy aims to achieve the return required to meet current and future liabilities as set out in the actuarial valuation. The strategy also takes into account the requirement to keep employer contribution rates at a stable level.</p> <p>Consideration is given to the payment of a bond by prospective admitted bodies to the Fund, to mitigate against the risk that they may default on their contribution payments.</p> <p>The longevity risk is built into the triennial actuarial valuation and is therefore included when determining the investment strategy.</p> <p>The investment risks and how they are managed are detailed in the ISS.</p>
<p>4 - Performance Assessment</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	<p><i>The Royal Borough of Greenwich Pension Fund complies with this principle.</i></p> <p>The performance of investments and investment managers is monitored on a quarterly basis. An independent performance measurement company provides quarterly reports detailing the performance of the asset allocation and investment managers relative to the benchmarks. The company also provides data detailing the performance of the Royal Borough of Greenwich Pension Fund in relation to its peer group. This data is used for information only and is not considered when developing the investment strategy. A report detailing the performance of the fund is presented quarterly to the Pension Fund Investment and Administration Panel.</p> <p>The Business Plan details how the fund expects to deliver its objectives for the year. The Business Plan also sets out administrative performance targets of when important documents need to be produced.</p> <p>The Annual Report outlines training undertaken, in order to ensure effective decision making.</p>

<p>5 - Responsible Ownership</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> • Recognise and ensure that their partners in the investment chain adopt the FRC's UK Stewardship Code • Include a statement of their policy on responsible ownership in the Investment Strategy Statement. • Report periodically to scheme members on the discharge of such responsibilities. 	<p><i>The Royal Borough of Greenwich Pension Fund complies with this principle.</i></p> <p>The Fund's policies on the exercise of rights (including voting rights) and social, environmental and ethical considerations are included within the Investment Strategy Statement,</p> <p>The Fund complies with the UK Stewardship Code, details of which are in the Fund's Statement of Compliance with the UK Stewardship Code for Institutional Investors. The Fund also expects its investment managers and investment advisor to comply with the Code.</p> <p>The Fund expects its investment managers to engage with companies within their portfolio on social, environmental and ethical issues.</p>
<p>6 - Transparency and Reporting</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • provide regular communication to scheme members in the form they consider most appropriate. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The Fund publishes annually a Communications Strategy detailing its policy for communicating information to members, representatives of members, prospective members and employing authorities. The Fund also makes available a range of documents including:</p> <ul style="list-style-type: none"> • Annual Report, incorporating the Pension Fund Statement of Accounts • Investment Strategy Statement • Governance Statement • Stewardship Code • Knowledge and Skills Policy Statement • Triennial actuarial valuation • Funding Strategy Statement • Agenda and Minutes of the Pension Fund Investment and Administration Panel and the Pension Board <p>These documents are published on the internet and hard copies are available on request.</p>



Appendix 3 – Voting intention guidelines

Voting Governance Issues

Action if Negative

CHAIRMAN/CHIEF EXECUTIVE

Role of Chairman and Chief Executive should be separate to avoid undue concentration of power.

Vote against Chairman/ Chief Executive re-appointment as Director.

NON-EXECUTIVE DIRECTORS

2. Board must have a minimum of 40% non-Executive Directors.

Vote against appointment of all Executive Directors.

3. Non-Executive Directors should not hold such a position in a competitor.

Vote against re-appointment when up for re-election.

DIRECTORS

4. There should be formal appointments for all Directors.

Vote against appointment of Directors.

REMUNERATION COMMITTEE

5. The Committee must be composed entirely of independent Non-Executive Directors.

Vote against all Executive Directors.

6. The Committee should be answerable to the shareholders at the AGM.

Vote against acceptance of the accounts.

Vote against the reappointment
of Chairman as a Director.

GENERAL

7. All Directors need to seek re-election at least every three years (by rotation).

Vote against acceptance of
accounts.

AUDIT COMMITTEE

8. There shall be an Audit Committee.

Vote against acceptance of
accounts.

9. The Audit Committee should have a majority of Non-Executive Directors.

Vote against acceptance of
accounts.

10. The Audit Committee shall meet with the Auditors at least once in the year without Executives present.

Vote against acceptance of
accounts.

REPORTING AND CONTROLS

11. The Directors shall report on frauds uncovered that exceed £100,000 and action taken.

Vote against acceptance of
accounts.

THE CADBURY CODE

12. There shall be no rolling contracts of more than twelve months.

Vote against all relevant Directors'
re-appointments.

- | | | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| 13. | There shall be full disclosure of all emoluments received by Directors. | Vote against re-appointment of all Directors. |
| 14. | There shall be transparent disclosure of the basis of performance related payments. | Vote against re-appointment of Chairman of Remuneration Committee as a Director. |
| 15. | The basis of executive share options granted shall be the subject of shareholders resolution, be voted upon at least every five years and meet the guidelines of the Inland Revenue and the National Association of Pension Funds. | Vote against acceptance of accounts. |
| 16. | There shall be full disclosure of share options granted to Directors and the Executive and those exercised in the preceding 12 months. | Vote against all Directors re-appointments. |

AUDITORS

- | | | |
|-----|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 17. | The Auditors shall not be given or awarded additional work with the company that exceeds 50% in value of the Audit contract. | Vote against all Director Members of Audit Committee. Vote against the re-appointment of Auditors. |
| 18. | The Board shall contain no former employee of the audit firm. | Vote against Directors re-appointment who come into this category. |

OTHER MATTERS

- | | | |
|-----|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 19. | The Company shall not make any political or quasi political donations. | Vote against acceptance of accounts.
Vote against Chair's re-appointment |
| 20. | The Company shall indicate how it ensures equal opportunity is genuinely available. | Seek compliance through written Contract. |

Appendix 4 – Pension Fund Investment and Administration Panel – Terms of Reference

The (Royal Borough of Greenwich) Pension Fund Investment and Administration Panel is a sub-committee of Council. It convenes a minimum of four times a year and contains four Greenwich Councillors with full voting rights. Representatives from admitted bodies and the trades unions are invited to participate as members of the Panel, but do not have voting rights. The (Royal Borough of Greenwich Council) Pension Fund Investment and Administration Panel has as its general terms of reference:

- To exercise all relevant functions conferred by regulations made under:
 - a) Public Service Pension Act 2013
 - b) Local Government Pension Scheme Regulations (Various)
 - c) Other Relevant Legislation
- 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 from the Pension Board where appropriate

Royal Borough of Greenwich Pension Fund

Knowledge and Understanding Policy and Framework

I Aims and Objectives

- I.1 This document sets out the Knowledge and Understanding Policy for the Royal Borough of Greenwich Pension Fund. It has been prepared to ensure that all members and decision makers carrying out their roles and responsibilities on behalf of the Royal Borough of Greenwich Pension Fund & The Royal Borough of Greenwich are and remain sufficiently knowledgeable & competent to do so.
- I.2 The Royal Borough of Greenwich, as the administering authority of the Royal Borough of Greenwich Pension Fund, has adopted the key recommendations of the Code of Practice on Local Government Pension Scheme Knowledge and Skills issued by the Chartered Institute for Public Finance Accounting (CIPFA) in 2021 as per the following statements:
- I.3 As required by CIPFA's Code of Practice, The Royal Borough of Greenwich is committed to the following principles;
 - 1) That The Royal Borough of Greenwich adopts the key principles of the code of practice on LGPS knowledge and skills.
 - 2) That The Royal Borough of Greenwich recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
 - 3) That The Royal Borough of Greenwich has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS.
 - 4) That the policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Knowledge and Skills Framework.

5) That The Royal Borough of Greenwich will ensure that it has adequate resources in place to ensure all staff, members, or other persons responsible for the management, decision making, governance and other aspect of the delivery of the LGPS acquire and retain the necessary knowledge and skills.

6) That The Royal Borough of Greenwich will report annually on how their knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.

7) That The Royal Borough of Greenwich has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the The Royal Borough of Greenwich's knowledge and skills policy statement, and, where they are a CIPFA member, with the CIPFA Standards of Professional Practice (where relevant).

I.4 The policy covers the knowledge and understanding of the following groups:

- Members of the Local Pension Board ('the Board')
- Members of the Pension Fund Investment and Administration Panel ('the Panel')
- Officers of the administering authority responsible for the management of the Fund

I.5 The Royal Borough of Greenwich recognises that effective financial administration and decision-making can only be achieved where those involved have the necessary knowledge and skills. Accordingly, the Royal Borough of Greenwich will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.

I.6 The Royal Borough of Greenwich has adopted the following Knowledge and Skills Policy Statement:

- The Royal Borough of Greenwich recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- The Royal Borough of Greenwich therefore seeks to utilise individuals who are both capable and experienced and it will provide / arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

1.7 The objectives of the strategy are to:

- Ensure that Board members meet the legal requirements placed upon them in respect of knowledge and understanding of the local government pension scheme and maintain their training and development.
- Ensure Panel members have adequate knowledge, training and skills to enable informed decision making even though they do not have the same statutory obligations as board members.
- Ensure that Officers have adequate knowledge and skills to manage the administration and investment arrangements of the Fund.

2 Delivery

- 2.1 The Fund will collaborate with its investment advisers, fund managers, actuary and other stakeholders in the delivery of its training.

- 2.2 Newly appointed members of both the Pensions Panel and the Pensions Board will receive induction training, carried out by the Fund's investment advisors. The induction will cover the requirements of their roles and the training strategy.
- 2.3 The training strategy will be delivered to all Board and Panel members via a rolling programme of training, ensuring that the key six areas of knowledge covered by the code are reviewed. Relevant officers will also receive this training.
- 2.4 Where appropriate, knowledge and skills requirements will be met via in- house training, external training and attendance at relevant networks.
- 2.5 A Training Plan will be produced on an annual basis and will be updated as necessary to account for any changes in legislation, updated guidance and other relevant changes. Alongside the training plan, officers will maintain a training register which will hold details of training courses/events available alongside details of who has attended.
- 2.6 The Royal Borough of Greenwich has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Director of Finance, who will act in accordance with the organisation's policy statement and with CIPFA Standards of Professional Practice.
- 2.7 Pension Board members will use the e-learning toolkit provided by the Pensions regulator (or equivalent) to undertake a personal training needs analysis, putting in place a personalised training plan in order to meet the statutory obligations placed upon them. Whilst there is no statutory obligation placed on them to do likewise, Panel members and officers are encouraged to do the same.

- 2.8 Each year, when possible, the Fund will hold an annual ‘away day’ for officers, Board members and Panel members. This is an opportunity to cover training on a vast number of topics

3 Review and measurement of effectiveness

- 3.1 The Royal Borough of Greenwich Pension Fund will report on an annual basis how these policies have been put into practice throughout the financial year.

- 3.2 We have worked with our advisers in putting together, template monitoring sheets that can record collectively or individually training achievements. This is done to comply with The TPR code, MHCLG statutory guidance, CIPFA Code and Framework and MiFID II requirements.

- 3.3 The knowledge & skills will cover Public Sector pensions, the pension industry in general, the relevant requirements of the Financial Conduct Authority & the completion of any other relevant training in connection with a Member’s role, for example, data protection training. As a minimum requirement Members will be expected to embrace the eight topics of the CIPFA Knowledge & Skills Framework, namely;

Legislation & Guidance.	Governance.
Administration & Communications.	Accounting & Audit Standards.
Procurement & Relationship Mngt.	Investment Performance & Risk Management.
Financial Markets & Product Knowledge.	Actuarial Methods, Standards & Practice.

- 3.4 Monitoring will help develop personalised training plans which will be used to document and address any knowledge/skills gaps and update areas of learning when deemed necessary. This will assist in the acquisition of new areas of knowledge in the event of change.

4 Training methods

4.1 There are numerous methods and materials available to help prepare and equip individuals to perform their respective roles. Options include (but are not limited to) –

- On site, off site or online training
- Collaborating with other Funds
- A full day to cover many topics in one go
- A formal presentation
- A workshop with participation
- Spotlight sessions - short sessions on topical issues or scheme-specific issues
- Informal discussion
- One to one

5. Risk Management

5.1 The compliance and delivery of a training plan is at risk in the event of –

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

5.2 These risks will be monitored, and appropriate records of a learning programme maintained, in order to minimise the risk.

Annual Report of the Pension Board 2022/23

1. Background

- 1.1 The Local Pension Board (the Board) was established on 1 April 2015 by the Pension Investment and Administration Panel under delegation from the Administering Authority.
- 1.2 The Local Pension Board (the Board) was into its 8th year of operation during the 2022/23 financial year and has developed into an important part of the authority's overall governance arrangement. 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, with the efficient and effective governance and administration of the scheme.
- 1.3 The Board is made up of two member representatives and two employer representatives, each with voting rights. Members of the Board may attend meetings of the Pension Fund Investment and Administration Panel (the Panel) as observers. The chair of the Board is also invited to attend the Panel meetings. This provides a useful link between the advisory body and the Board.
- 1.4 The Board is constituted under the Public Service Pensions Act 2013 and meets formally to consider arrangements for the Fund, to review decisions made by the Panel and to request further information from Fund officers and advisors. The Board has no decision-making role in relation to management of the Fund but is able to make recommendations to the Panel.

2. Activity during 2022/23

- 2.1 The Board met on three occasions during 2022/23. The Board's membership and attendance at meetings are set out in the table below.

Table I- Membership and attendance

	2022			2023
	18-Jul	26 - Sept	05-Dec*	13-Mar
Councillor Nick Williams (Chair)	x	✓	x	✓
Councillor Issy Cooke	✓	✓	x	✓
Simon Steptoe	✓	✓	x	✓
Alastair Kidd	✓	✓	x	x

* = Cancelled

2.2 Following local elections held in May 2022 and a recruitment process in 2021/22 the Board welcomed two new employer representatives and one new employee representative for 2022/23.

Business Plan 2022/23

The Business Plan for 2022/23 is attached as Appendix B.

A summary of the items considered during the year is as follows:

- Review of scheme administration arrangements
- Review the annual report of the Pension Board for 2021/22
- Review the draft Pension Fund Annual Report for 2021/22
- Review of Quarterly Fund Performance
- Review of Fund strategies, statements and reports.
- Review of work undertaken at the Pension Investment and Administration Panel meetings.
- Review of the audit findings report.
- Review of the Risk Register
- Review the business plan for 2023/24

3. Training

3.1 During the year, Board members received training in the following areas:

- Introductory training for new Board members, provided by the Funds investment advisors (Hymans Robertson).

- Environment, Social and Governance (ESG) Issues– provided by the London Collective Investment Vehicle (LCIV)
- Audit & Accounting standards, provided by the Funds Investment Advisors, Hymans Robertson.
- Procuring Pensions – Provided by the Head of Procurement at RBG.
- Legislative & Governance Context – Provided by the Funds actuary, Barnett Waddingham.

3.2 The Annual Pension Fund Away Day, which is also attended by Panel members, officers, the Fund's investment advisors, actuary and Fund investment managers, was held on 11 November 2022. The day featured sessions on the following subjects:

- The role of the Custodian and their economic outlook.
- The Triennial Valuation as at 31 March 2022 (including training) from the Funds actuary, Barnett Waddingham.
- An introduction to the investment strategy review provided by the Funds investment advisors, Hymans Robertson.
- A review and discussion on the proposal to invest in a Low Carbon Passive Equity Fund.
- Presentations from 3 investment managers on the Low Carbon Passive Equity Mandates they offer.
- A presentation from Alison Brown on the work undertaken by the administration team during the year.

4. Expenses

4.1 Travel expenses of £16.40 were claimed by Board members in relation to their Board duties during the year.

5. Risk Management

5.1 Members of the Board declare their interests at each formal meeting. There were no reported conflicts of interest during the year. No investigations into the activities of the Fund were required by the Board during the period under review.

5.2 A risk register is maintained for the Fund. This is reviewed quarterly by the Board and is formally reviewed by the Panel on an annual basis.

6. Future Activity

- 6.1 The Board focus for 2023/24 will be for the Board to continue to develop its role with specific attention to engagement and stewardship of the Fund and the role of the Board as per The Pension Regulator Regulation 14. 2023/24 will see in introduction of presentations from the Funds investment managers at each Board meeting on ESG with an emphasis on how each manager assess the risks and opportunities posed by climate change and how the manager engages with the companies within which it invests. The business plan for 2023/24, is attached as appendix C to this report.

Independent Auditor's Report to the Members of Royal Borough of Greenwich

Report on the audit of the financial statements

Opinion on the financial statements of Royal Borough of Greenwich Pension Fund

We have audited the financial statements of Royal Borough of Greenwich Pension Fund ('the Pension Fund') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Section 151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Section 151 Officer for the financial statements

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Section 151 officer is also responsible for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Section 151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Section 151 Officer is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to inquiring with management and the Audit and Risk Management Panel, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Section 151 Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Risk Management Panel on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Risk Management Panel. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the members of Royal Borough Of Greenwich Council, as a body and as administering authority for the Royal Borough of Greenwich Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.



Suresh Patel, Key Audit Partner

For and on behalf of Forvis Mazars LLP

30 Old Bailey London EC4M 7AU

28 February 2025

Royal Borough of Greenwich Pension Fund

2022/23 £000	Fund Account	Notes	2023/24 £000
	<u>Dealings with Members, Employers and Others directly involved in the Scheme</u>		
	Contributions Receivable:		
(42,462)	Employer Contributions	6	(45,956)
(15,867)	Member Contributions	6	(16,961)
(6,371)	Transfers in from Other Pension Funds	7	(4,345)
	Benefits:		
51,806	Pensions	8	57,894
12,120	Lump Sums and Commutations	8	12,959
1,883	Lump Sum Death Benefits		2,256
5,401	Payments to and on account of Leavers	9	9,531
6,510	Subtotal: Net (additions) / withdrawals from Dealings with Members		15,378
5,715	Management Expenses	10a	5,767
12,225	Subtotal: Net (additions)/withdrawals including fund management expenses		21,145
	<u>Returns on Investment</u>		
(20,834)	Investment Income	11	(22,841)
59,659	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		(104,724)
0	Taxes on Income	11a	35
38,825	Net Returns on Investment		(127,530)
51,050	Net (increase) / decrease in the Net Assets available for Benefits during the year		(106,385)

31 March 2023	Net Asset Statement	Notes	31 March 2024
£000			£000
	<u>Investment assets</u>		
	<u>Pooled Investment Vehicles:</u>		
731,971	Equities	14	802,181
301,924	Fixed Income	14	319,890
133,768	Property Unit Trusts	14	133,483
197,888	Multi Asset	14	199,000
18,813	Infrastructure	14&22	24,066
58,508	Private Debt	14&22	67,733
	<u>Non-Pooled Investments:</u>		
107,468	Diversified Alternative	14	102,581
1,180	Private Equity	14&22	838
5,700	Property - Freehold	3&14	5,945
22	Cash Deposits	19	6
16,367	Cash Equivalents	19	25,218
3,131	Other Investment Balances	18	3,199
	<u>Investment Liabilities</u>		
(919)	Other Investment Balances	18	(1,428)
1,575,821	Net Investment Assets / (Liabilities)		1,682,712
	<u>Current Assets</u>		
626	Contributions Due	18	5,134
605	Other Current Assets	18	645
8,753	Cash Balances	19	4,007
	<u>Current Liabilities</u>		
(717)	Unpaid Benefits	18	(759)
(823)	Other Current Liabilities	18	(1,089)
8,444	Net Current Assets / (Liabilities)		7,938
1,584,265	Net Assets of the Scheme available to fund Benefits at the Period End		1,690,650

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2024. The actuarial present value of promised retirement benefits is disclosed in note 17.

Note I – Description of The Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal Borough of Greenwich Pension Fund Annual Report 2023/24 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

General

The Royal Borough of Greenwich Pension Fund (the “Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich. It is a defined benefit pension scheme providing pensions and other benefits for employees of the Royal Borough of Greenwich and those organisations with admitted or scheduled body status within the Fund. The Fund is overseen by the Royal Borough of Greenwich Pension Investment and Administration Panel. The Fund is governed and administered in accordance with the Public Service Pensions Act 2013 and the following Local Government Pension Scheme Regulations:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds and Amendment) Regulations 2016

Membership

All employees are able to join the pension scheme (except teachers). Those with a contract of employment of at least 3 months are contractually enrolled into the pension scheme on commencement of employment. Members have an option to remain in the scheme or to opt-out of the scheme. Organisations participating in the Fund include:

- Administering Authority: This is the Royal Borough of Greenwich (the “Authority”)
- Scheduled Bodies: Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted Bodies: 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.

There were 67 active employer organisations within the Fund as at 31 March 2024 (66 as at 31 March 2023). The following table summarises the composition of the registered membership of the Fund as at 31 March 2024.

Membership	Administering Authority		Admitted Bodies		Scheduled Bodies	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Employees contributing into Fund	6,349	6,217	487	390	1,972	2,182
Pensioners / Dependents	7,341	7,607	332	325	521	606
Former Members entitled to Deferred Benefits	7,563	7,372	474	370	1,523	1,773
Totals	21,253	21,196	1,293	1,085	4,016	4,561

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year end 31 March 2024. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Governance

The Royal Borough of Greenwich has delegated management of the Fund to the Pension Investment and Administration Panel. The Panel is made up of four committee members, each with voting rights. The Panel is responsible for agreeing an appropriate investment strategy, review and scrutiny of investment manager performance, quarterly account review and policy statement review. The Panel receives guidance, where appropriate, from the Fund's investment advisors, actuary and Fund managers. The Panel receives regular training in line with CIPFA's Knowledge and Skills Framework.

It is a requirement under the Public Service Pensions Act 2013 for LGPS funds to set up a Local Pension Board. The Royal Greenwich Pension Board is made up of two member representatives and two employer representatives who act in an overview and scrutiny role to ensure strong governance of the Fund. The

Board also receives regular training under the CIPFA Knowledge and Skills Framework. The role and responsibilities of Board Members is set out in the 'Pension Board of the Royal Borough of Greenwich Terms of Reference', which is available on the Royal Borough of Greenwich website via the annual report.

Investment Principles

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to prepare an Investment Strategy Statement (ISS). The latest ISS was agreed by the Pension Fund Investment and Administration Panel on 24 July 2023 and is available on the Royal Borough of Greenwich website.

The Panel has delegated the day-to-day management of investments to external Investment Managers in line with their relevant mandates. The performance of the Investment Managers is reported on a quarterly basis by the Fund's Investment Advisors.

Note 2 – Basis of Preparation

The Statement of Accounts (the “Accounts”) summarise the Fund’s transactions for the 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the “Code”) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 17 of these accounts. The most recent actuarial valuation was carried out as at 31 March 2022 and determines the contribution rates for the next three years from 1 April 2023 with an aim to maintain the solvency of the Fund. Therefore, these accounts have been prepared on a going concern basis, on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future.

Many values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Note 3 – Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contributions

Both employer and member normal contributions are accounted for on an accruals basis. Member contributions rates are set in accordance with LGPS regulations using common percentage rate bandings, which rise in line with pensionable pay. Employer contributions are set at a percentage rate advised by the Fund's actuary as necessary to maintain the Funds solvency.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from other schemes

Individual transfers to and from other schemes are accounted for on a cash basis at which point the related member liability transfers to the fund. Bulk transfers to/from the scheme are accounted for in accordance with the terms of the transfer agreement.

Investment Income

- a) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.
- b) Some pooled investment vehicles within the portfolio are accumulation funds and as such, the change in market value also includes income, which is re-invested in the Fund. The market price for those units reflects this re-invested income. Non-accumulating units give rise to dividends.
- c) Freehold property gives rise to rental income. These amounts are recognised on a straight-line basis over the life of the operating lease.
- d) Private Equity distributions are split between their constituent elements i.e. dividend, interest, gain/loss or return of capital, as advised by the Fund manager. The income is accrued on the distribution date advised by the manager.
- e) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.
- f) Diversified Alternatives have returned income, which have been recognised as dividend income in line with the structure of the mandate.
- g) Equalisation interest was received in 22/23, which has been recognised as interest within investment income.
- h) Interest is recognised as it accrues. Any interest due but not received at the end of the reporting period is accrued for and disclosed within the note on Debtors and Creditors.

Fund Account – Expense Items

Benefits payable

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

Taxation

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. Any recoverable amounts outstanding at the reporting period end will be classified as a debtor.

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

Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016).' These expenses are charged to the Fund on an accruals basis under the headings below:

Administrative Expenses – Staff costs pertaining to the pensions administration team are charged direct to the Fund. Associated management, IT, rents and rates and other overheads are apportioned to financial administration and charged as expenses to the Fund on an annual basis.

Oversight and Governance – These costs include the selection, appointment, performance management and monitoring of external fund managers, investment advisory service costs, operation and support of the Pensions Panel and Board and other governance related costs.

Investment Management Expenses – Expenses incurred in relation to the management of pension fund assets and includes transaction costs, management fees, performance fees and custody fees. Investment management fees, including those paid to the pool operator (London CIV) are calculated by reference to the market value of portfolio assets under management at the end of each month/quarter. The exceptions to this are Fidelity, where market value based fees are charged on a daily basis and Private Equity, Infrastructure and Private Debt fees, which are based upon amounts committed to each manager.

Where an investment manager's fee invoice has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

Net Asset Statement

Financial Assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Property

The Fund owns the freehold of one investment property – New Lydenburg Industrial Estate. Further details regarding the basis of valuation can be found in Note 14. Any surplus / deficit on valuation is reflected in the Fund Account and is shown as a change in market value of investments.

Foreign Currency

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a three-month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial Liabilities

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

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is rolled forward from the latest triennial valuation by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net asset statement (note 17).

Additional Voluntary Contributions

There are currently two additional voluntary contribution (AVC) schemes for the members of the Royal Borough of Greenwich Pension Fund, with only one open to new members. These schemes are separate to the fund with assets which are invested separately. AVCs are not included in the accounts in accordance with Section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016. Note 20 provides details of the Funds AVC schemes.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Asset Statement but are disclosed in a note to the Accounts. The limit for contingent liabilities is reflective of the Funds perception of materiality and is currently set at £250,000.

Other Accounting Policies

Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accounting Standards Issued but Not Yet Adopted

Under the Code of Practice on Local Authority Accounting there is a requirement to disclose the impact of accounting standards issued but not yet adopted. At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom. These standards will have no significant impact on amounts reported in this year's Pension Fund accounts:

- a) IFRS 16 Leases issued in January 2016
- b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020
- c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022
- d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022
- e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023
- f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Accounts. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Note 4 - Critical Judgements in Applying Accounting Policies

It has not been necessary to make any material critical judgements in applying the accounting policies during 2023/24.

Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made, taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Diversified alternative	Diversified Alternative investment are valued using variety of methods and makes assumptions that are not always supported by observable market prices or rates. These investments are not publicly listed and as such, there is a degree of estimate involved in the valuation.	The total value of Level 3 investment in Diversified Alternative is £103m. There is a risk that the investment may be under or overstated in the accounts. The Funds' performance management advisors report a tolerance of 13.7% in respect of the net asset values the fund valuation is based upon. This equates to a tolerance of +/- £14.07m
Pooled Property (CBRE)	The Fund valued at the fair values provided by the administrators of the underlying funds. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total value of Level 3 investment in CBRE is £30.6m. There is a risk that the investment may be under or overstated in the accounts. The Funds' performance management advisors report a tolerance of 7.0% in respect of the net asset values the fund valuation is based upon. This equates to a tolerance of +/- £2.14m
LCIV Renewable Infrastructure	Infrastructure investments are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value.	The total value of Level 3 investment in LCIV renewable infrastructure is £24m. There is a risk that the investment may be under or overstated in the accounts. The Funds' performance management advisors report a tolerance of 4.8% in respect of the net asset values the fund valuation is

These valuations are validated by third party independent appraisal firms.

based upon. This equates to a tolerance of +/- £1.15m

LCIV Private Debt

Private debt investments are valued at fair valued in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.

These investments are not publicly listed and as such there a degree of estimation involved in the valuation.

The total value of Level 3 investment in LCIV Private Debt is £67.7m. There is a risk that the investment may be under or overstated in the accounts. The Funds' performance management advisors report a tolerance of 5.4% in respect of the net asset values the fund valuation is based upon. This equates to a tolerance of +/- £3.69m

Note 6 – Contributions Receivable

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The average employer contribution rate used during 2022/23 and 2023/24 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

2022/23 £000	By Category	2023/24 £000
(15,867)	Employee's Contributions	(16,961)
(15,867)	Total Employees' Contributions	(16,961)
	Employer's Contributions:	
(38,002)	Normal Contributions	(44,995)
(4,082)	Deficit Recovery Contributions	(905)
(378)	Augmentation Contributions	(56)
(42,462)	Total Employers' Contributions	(45,956)
(58,329)		(62,917)

2022/23 £000	By Authority	2023/24 £000
(45,645)	Administering Authority	(49,239)
(9,230)	Scheduled Bodies	(10,395)
(3,454)	Admitted Bodies	(3,283)
(58,329)		(62,917)

Note 7 - Transfers in from Other Pension Funds

2022/23 £000	Transfers in from other Pension Funds	2023/24 £000
0	Group Transfers	0
(6,371)	Individual Transfers	(4,345)
(6,371)		(4,345)

Note 8 - Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

2022/23 £000	Benefits	2023/24 £000
Pensions		
48,654	Administering Authority	53,955
1,526	Admitted Bodies	1,871
1,626	Scheduled Bodies	2,068
51,806	Total Pensions Payable	57,894
Lump Sums and Commutations		
10,182	Administering Authority	10,942
652	Admitted Bodies	617

1,286	Scheduled Bodies	1,400
12,120	Total Lump Sums and Commutations	12,959
<u>Lump Sum Death Benefits:</u>		
1,633	Administering Authority	1,881
(3)	Admitted Bodies	229
253	Scheduled Bodies	146
1,883	Total Lump Sum Death Benefits	2,256
65,809	Total Benefits Payable	73,109

2022/23 £000	Benefits Total by Employer Type	2023/24 £000
60,469	Administering Authority	66,778
2,175	Admitted Bodies	2,717
3,165	Scheduled Bodies	3,614
65,809	Total Benefits Payable	73,109

Note 9 - Payments to and on Account of Leavers

2022/23	Payments to and on Account	2023/24
£000	Of Leavers	£000
238	Refunds to Members leaving Service	308
(1)	Payments for Members joining State Scheme	(4)
5,164	Individual Transfers	9,227
5,401	Total Payments to and on Account of Leavers	9,531

Note 10a – Management Expenses

2022/23	Management Expenses	2023/24
£000		£000
990	Administration Expenses	1,159
171	Oversight and Governance	212
4,554	Investment Management Expenses	4,396
5,715	Total Management Expenses	5,767

Note 10b Investment Management Expenses

2022/23	Management Expenses	2023/24
£000		£000
4,091	Management Expenses	4,177
420	Performance Fees	171
43	Custody Fees	48
0	Transaction Costs	0
4,554	Total Management Expenses	4,396

Note 11 - Investment Income

2022/23	Investment Income	2023/24
£000		£000
(7,989)	Income from Equities	(8,327)
(61)	Income from Private Equity	(4)
(2,500)	Income from Diversified Alternative	(5,000)
(115)	Rental Income from Freehold Property	(115)
(4,400)	Income from Pooled Investment Vehicles	(3,663)
(5,073)	Income from Property Unit Trusts	(4,479)
(695)	Interest	(1,241)
(1)	Other Investment Income	(12)
(20,834)	Total Investment Income	(22,841)

Note 11a - Taxes on Income

UK Income Tax

The Fund is exempt and approved under the Finance Act 1970. It is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

Value Added Tax

By virtue of the Royal Borough of Greenwich being the Adminstrating Authority, VAT input tax is recoverable on Fund activities.

Overseas Tax

Taxation agreements exist between the UK and certain EU and other countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved vary from country to country.

2022/23	Taxes on Income	2023/24
£000		£000
0	Taxes on Transition	35
0	Total taxes on income	35

Note 12 - External Audit Costs

2022/23 £000		2023/24 £000
36	Payable in respect of external audit*	91
0	PSAA Refund	0
(18)	Redmond Review Grant	(12)
18	Total External Audit Costs	79

*£91k was paid/payable to the external auditors of the Pension Fund, Forvis Mazars LLP (Grant Thornton UK LLP 36k in 2022/23).

Note 13 - Investments

The investment managers and their mandates are as follows:

Manager	Mandate(s)
Blackrock	Passive Global Equity
Legal and General Investment Management (LGIM)	Low Carbon Passive Global Equity
CBRE Global Investors	Property
Fidelity International	Bond/Global Multi Asset Credit (GMAC)/Global Emerging Market Equities (GEME)
Wilshire	Private Equity
Partners Group	Diversified Alternative
London CIV (LCIV)	Absolute Return, Real Return, Renewable Infrastructure, Private Debt

The market value and proportion of investments managed by each fund manager at 31 March 2024 was as follows:

	2022/23 Market Value £000	2022/23 Market Value %	2023/24 Market Value £000	2023/24 Market Value %
Blackrock	607,369	38	385,250	23
LGIM	0	0	282,152	17
CBRE Global Investors	149,680	9	146,528	9
Fidelity BOND	146,596	9	153,296	9
Fidelity GMAC	155,183	10	166,441	10

Royal Borough of Greenwich	14,765	1	25,654	1
Wilshire	1,180	0	838	0
London CIV	150	0	150	0
Partners Group	107,023	7	102,176	6
Fidelity GEME	127,126	8	137,385	8
LCIV Real Return Fund	93,535	6	100,915	6
LCIV Absolute Return Fund	104,353	7	98,085	6
LCIV Renewable Infrastructure	18,802	1	24,060	1
LCIV Private Debt	58,503	4	67,720	4
Total	1,584,265	100	1,690,650	100

The values above include working capital (cash, cash equivalents, debtors and creditors)

The change in market value of the Fund during the year is represented as follows:

Manager	Market Value 31 March 2023	Purchases	Sales	Change in	Market Value
				Market Value	31-Mar
				Of	2024
				Investments	
	£000	£000	£000	£000	£000
Blackrock	604,514	1	(260,556)	38,297	382,256
LGIM	0	241,053	(3,576)	44,717	282,194
CBRE Global Investors	133,768	11,344	(3,856)	(7,773)	133,483
Fidelity BOND ^a	146,643	(192)		6,893	153,344
Royal Borough of Greenwich	5,700			245	5,945
Wilshire ^b	1,180	(36)	(208)	(98)	838
Fidelity GMAC ^a	155,280	(398)		11,663	166,545

London CIV	150		0	150	
Partners Group	107,469		(1,866)	(3,020)	102,583
Fidelity GEME ^a	127,307	(735)		11,009	137,581
LCIV Real Return Fund	93,535	2,395		4,984	100,914
LCIV Absolute Return Fund	104,353	1,268		(7,536)	98,085
LCIV Renewable Infrastructure	18,813	5,790		(537)	24,066
LCIV Private Debt	58,508	3,346	0	5,879	67,733
Total	1,557,220	263,836	(270,062)	104,723	1,655,717

a. The negative Fidelity purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.

b. Distributions have been split into income (dividends, interest and gains) and distributions of capital reducing the book cost.

The prior year comparator is as follows:

Manager	Market Value 31 March 2022	Purchases	Sales	Change in	Market Value
				Market Value	31-Mar
				Of	2023
				Investments	
	£000	£000	£000	£000	£000
Blackrock	678,986		(75,000)	528	604,514
CBRE Global Investors	162,065	2,855	(2,938)	(28,214)	133,768
Fidelity BOND ^a	132,813	29,814		(15,984)	146,643
Royal Borough of Greenwich	4,100			1,600	5,700
Wilshire ^b	1,938	(45)	(274)	(439)	1,180
Fidelity GMAC ^a	115,127	44,665		(4,512)	155,280
London CIV	150			0	150
Partners Group	107,137		(2,421)	2,753	107,469
Fidelity GEME ^a	143,059	(756)		(14,996)	127,307

LCIV Real Return Fund	97,481	1,616		(5,562)	93,535
LCIV Absolute Return Fund	103,051	2,783		(1,481)	104,353
LCIV Renewable Infrastructure	12,425	5,078	(2,355)	3,665	18,813
LCIV Private Debt	36,324	24,579	(5,379)	2,984	58,508
Total	1,594,656	110,589	(88,367)	(59,658)	1,557,220

a. The negative Fidelity purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.

b. Distributions have been split into income (dividends, interest and gains) and distributions of capital reducing the book cost.

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	Manager	2023/24 £000	2023/24 %
Future World Global Equity	LGIM	282,194	17
ISHARES UK Equity	Blackrock	229,194	14
Fidelity Global Multi Asset Credit	Fidelity	166,546	10
Fidelity UK Aggregate Bond	Fidelity	153,344	9
Aquila Life GLB 3000	Blackrock	153,053	9
Fidelity Institutional Funds Emerging Markets	Fidelity	137,582	8
Partners IC RBG LTD	Partners Group	102,581	6
Real Return Fund	London CIV	100,915	6
Absolute Return Fund	London CIV	98,086	6

The prior year comparator is as follows:

Investment Assets	Manager	2022/23	2022/23
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		£000	%
Aquila Life World Ex UK	Blackrock	231,414	15
ISHARES UK Equity	Blackrock	219,819	14
Fidelity Global Multi Asset Credit	Fidelity	155,280	10
Aquila Life GLB 3000	Blackrock	153,395	10
Fidelity UK Aggregate Bond	Fidelity	146,643	9
Fidelity Institutional Funds Emerging Markets	Fidelity	127,307	8
Partners IC RBG LTD	Partners Group	107,469	7
LCIV Absolute Return Fund	London CIV	104,353	7
LCIV Real Return Fund	London CIV	93,535	6

Stock Lending / Derivatives

The Fund has a policy of not entering into stock lending arrangements - there were no stock lending arrangements in place during 2023/24 or 2022/23. The following investment products are classed as derivatives and may be used by the Fund managers (none held directly by the Fund on 31 March 2024):

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non-UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

Property Holdings

The Fund has a directly owned property, which is leased commercially to various tenants. Details of this are as follows:

2022/23		2023/24
£000		£000
4,100	Opening balance	5,700
1,600	Net increase in market value	245
5,700	Closing balance	5,945

2022/23		2023/24
£000		£000
115	Within one year	115
460	Between one and five years	460
575	Total future lease payments due under existing contracts	575

2022/23 £000	Gains and Losses	2023/24 £000
	Financial Assets	
(61,259)	Fair Value Through Profit and Loss ^a	104,479
	Financial Liabilities	
0	Fair Value Through Profit and Loss	0
(61,259)	Total	104,479

^aThe fair value through profit and loss excludes a £245k gain in relation to directly held property as it is not a financial instrument. This is in line with the CIPFA Code of Practice

The interest revenue and expense for financial assets measured at amortised cost is as follows:

2022/23 £000	Interest Revenue and Expense	2023/24 £000
	Assets at amortised cost	
(358)	Interest Revenue	(1,242)
1	Interest Expense	1
(357)	Total	(1,241)

Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values:

Level 1 – Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and unit trusts.

Level 2 – Where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Reconciliation of Fair Value Measurement within Level 3

Asset	Market Value at 31/03/2023	Transfer into Level 3	Transfer out of Level 3	Purchases at cost	Sales	Unrealised Gain/(Loss)	Realised Gains/(Loss)	Market Value At 31/03/2024
	£000	£000	£000	£000	£000	£000	£000	£000
UT - Property UK*	30,918	0	0	4,661	(2,605)	(2,605)	204	30,573
Freehold Property	5,700	0	0	0	0	245	0	5,945
Diversified Alternative	107,468	0	0	0	(1,867)	(3,020)	0	102,581
Private Equity	1,180	0	0	(37)	(208)	(305)	208	838
Infrastructure	18,813	0	0	5,790	0	(537)	0	24,066
Private Debt	58,508	0	0	3,346	0	5,879	0	67,733
Total	222,587	0	0	13,760	(4,680)	(343)	412	231,736

The prior year comparator is as follows:

Asset	Market Value at 31/03/2022	Transfer into Level 3	Transfer out of Level 3	Purchases at cost	Sales	Unrealised Gain/(Loss)	Realised Gains/(Loss)	Market Value At 31/03/2023
	£000	£000	£000	£000	£000	£000	£000	£000
UT - Property UK*	63,938	0	(23,453)	373	(2,937)	(7,003)	0	30,918
Freehold Property	4,100	0	0	0	0	1,600	0	5,700
Diversified Alternative	107,137	0	0	0	(2,422)	2,753	0	107,468
Private Equity	1,938	0	0	(45)	(274)	(713)	274	1,180
Infrastructure	12,425	0	0	5,078	(2,355)	3,665	0	18,813
Private Debt	36,324	0	0	24,579	(5,379)	2,984	0	58,508
Total	225,862	0	(23,453)	29,985	(13,367)	3,286	274	222,587

* The transfer out of level 3 is due to liquidity constraints within an underlying fund being lifted, causing a reclassification to level 2

Sensitivity of assets value at level 3

Having analysed historical data and current market trends, and consulted with the Funds' performance management advisors, the Fund has determined that valuation methods described above are likely to be accurate to within the following ranges and set out below the consequent potential impact on the closing value of investment as at 31 March 2024.

Asset	Value as at 31 March 2024 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UT - Property UK	30,573	7	32,716	28,430
Freehold Property	5,945	7	6,362	5,528
Private Equity	838	17	980	696
Diversified Alternative	102,581	13.7	116,653	88,510
Infrastructure	24,066	4.8	25,221	22,912
Private Debt	67,733	5.4	71,419	64,046
Total Level 3 Assets available to Pay Benefits	231,736		253,351	210,122

The prior year comparator is as follows:

Asset	Value as at 31 March 2023 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UT - Property UK	30,918	6.8	33,017	28,819
Freehold Property	5,700	6.8	6,087	5,313
Private Equity	1,180	18.6	1,399	961
Diversified Alternative	107,468	13.9	122,393	92,544
Infrastructure	18,813	5.1	19,776	17,850
Private Debt	58,508	5.4	61,660	55,356
Total Level 3 Assets available to Pay Benefits	222,587		244,332	200,843

The following table provides an analysis of the Financial Assets and Liabilities of the Fund and are grouped based upon the level at which the fair value is observable.

Values as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Financial Assets</u>				
Financial Assets at Fair Value through profit and loss	0	1,423,981	225,791	1,649,772
Non-Financial assets at Fair Value through profit and loss	0	0	5,945	5,945
	0	1,423,981	231,736	1,655,717

The prior year comparator is as follows:

Values as at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Financial Assets</u>				
Financial Assets at Fair Value through profit and loss	0	1,334,633	216,888	1,551,521
Non-Financial assets at Fair Value through profit and loss	0	0	5,700	5,700
	0	1,334,633	222,588	1,557,221

Fair Value – Basis of Valuation

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Input	Key Sensitivities affecting the valuations provided
Pooled Investments – Fixed Income	Level 2	NAV basis. Where the markets of financial instruments are actively traded exchange markets, valuations are based on quoted market prices, which is the price within the bid-ask spread. For non-traded financial instruments, the programme uses a variety of market and income methods.	Evaluated price feeds	Not Required

Pooled Investments - Equities	Level 2	Bid price	Evaluated price feeds	Not Required
Pooled Investments – Emerging Market Equities	Level 2	Mid price	Evaluated price feeds	Not Required
Pooled Investments - Multi Asset	Level 2	Swung price/mid price	Evaluated price feeds	Not Required
Property Unit Trusts	Level 2	Based upon the underlying investments within each portfolio, which are based upon the latest available valuations (March 2024)	Latest available trading NAV (Bid Price)	Not Required
Property Unit Trusts	Level 3	Based upon the underlying investments within each portfolio, which are based upon the latest available valuations (ranging from December 2023 to March 2024)	INREV NAV	Return of capital, investment contributions, capital calls and accruals of liquidation expenses.
Private Equity	Level 3	Based upon the underlying investments within each portfolio.	Valuations of underlying limited partnerships	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Diversified Alternative	Level 3	<p>Private Equity - A market approach is applied (mainly EV/EBITDA multiples) where appropriate. In some cases, an alternative method can be applied (e.g. DCF approach).</p> <p>Private Debt - Where market quotations are readily available, the valuation is based on these. Where no market quotations are available,</p>	<p>-EV/EBITDA multiples</p> <p>-Discounted cash flows</p> <p>-Third party appraisals</p>	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any

		<p>valuations are based on a discounted cash flow approach or recovery method.</p> <p>Private Real Estate - Valued considering third party appraisals which are updated at least on an annual basis. Intra-year valuations from these third party appraisals are adjusted for recent developments</p> <p>Private Infrastructure - Early stage investments are valued using the replacement cost method. Once construction reaches a certain stage, where cash flows are more visible, the valuation method is normally switched to a discounted cash flow analysis.</p> <p>For stable and operating infrastructure assets, a market approach (i.e. multiple method) is used.</p>		differences between audited and unaudited accounts.
Freehold Property	Level 3	<p>Valued by a valuer and RICS member, employed by the Royal Borough of Greenwich. The property was valued as at 31 March 2024 utilising the Royal Institute of Chartered Surveyors-current edition of the RICS Valuation - Global standards and the RICS UK national supplement. The valuation was based on the open market value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and</p>	Income from tenants	Significant changes in rental growth, vacancy levels or the discount rates could affect valuations as could more general changes to market prices

		characteristics of the particular locality		
Shares in London CIV Asset Pool	Level 3	Based on the capital invested within the London CIV (held at historical cost as a proxy for fair value)	N/A	N/A
Pooled Investments - Infrastructure	Level 3	Based upon the underlying investments in each portfolio. Valued at fair value on a quarterly basis.	NAV based pricing	Foreign exchange fluctuations
Pooled Investments - Private Debt	Level 3	Based upon the underlying investments in each portfolio. Valued at fair value on a quarterly basis.	NAV based pricing	Foreign exchange fluctuations

Note 15 - Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

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

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset risk. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in

terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

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

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

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk – Sensitivity Analysis

Having analysed historical data and expected investment return movement during the financial year, and consultation with the Fund's performance management advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the reporting period.

Asset	Potential Market Movements (+/-)
UK Equities	9.85%
Overseas Equities	9.85%
Bonds	7.76%
Property	7.01%
Cash Equivalents	0.97%
Private Equity	16.98%
Multi Asset	5.30%
Diversified Alternative	13.72%
Private Debt	5.44%
Infrastructure	4.80%

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments moved in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset	Value as at 31 March 2024 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash Equivalents	25,218	0.97	25,463	24,973
UK Equities	229,202	9.85	251,778	206,627
Overseas Equities	572,829	9.85	629,250	516,407
Bonds	319,890	7.76	344,707	295,073
Diversified Alternative	102,581	13.72	116,653	88,510
Property	139,428	7.01	149,201	129,655
Private Equity	838	16.98	980	696
Multi Asset	199,000	5.30	209,554	188,446
Infrastructure	24,066	4.80	25,220	22,912
Private Debt	67,733	5.44	71,419	64,046
Other Investment Balances	5,934	0.00	5,934	5,934
Total Assets available to Pay Benefits	1,686,719		1,830,159	1,543,279

The prior year comparator is as follows:

Asset	Value as at 31 March 2023 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash Equivalents	16,367	1.76	16,655	16,079
UK Equities	219,827	12.03	246,267	193,387
Overseas Equities	511,995	12.03	573,576	450,413
Bonds	301,924	7.69	325,130	278,717
Diversified Alternative	107,469	13.89	122,393	92,544
Property	139,468	6.79	148,936	130,001
Private Equity	1,180	18.56	1,399	961
Multi Asset	197,888	4.94	207,658	188,118
Infrastructure	18,813	5.12	19,776	17,850
Private Debt	58,508	5.39	61,660	55,356
Other Investment Balances	11,135	0	11,135	11,135
Total Assets available to Pay Benefits	1,584,574		1,734,585	1,434,561

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's direct exposure to interest rate movements is through its cash and fixed income holdings.

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. It is currently felt that interest rates are unlikely to move up or down by more than 150 basis points (bps) over the course of the next year. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 150 bps change in interest rates (25 bps 22/23).

Asset	Carrying Amount as at 31 March 2024	Change in Year in the Net Assets available to Pay Benefits	
		+ 150 bps	-150 bps
	£000	£000	£000
Cash Balances	4,007	4,067	3,947
Cash on Deposit	6	6	6
Cash Equivalents	25,218	25,596	24,840
Blackrock Institutional Series	8	9	8
Total Interest Rate Risk Assets	29,239	29,678	28,801

Asset	Carrying Amount as at 31 March 2024	Change in Year in the Net Assets available to Pay Benefits	
		+ 150 bps	-150 bps
	£000	£000	£000
Fidelity GMAC	166,546	157,302	175,789
Fidelity UK Aggregate Bond Fund	153,344	136,323	170,366
Total Interest Rate Risk Assets	319,890	293,625	346,155

The prior year comparator is as follows:

Asset	Carrying Amount as at 31 March 2023	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Cash Balances	8,753	8,775	8,731
Cash on Deposit	22	22	22
Cash Equivalents	16,367	16,408	16,326
Blackrock Institutional Series	8	8	8
Total Interest Rate Risk Assets	25,150	25,213	25,087

Asset	Carrying Amount as at 31 March 2023	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Fidelity GMAC	155,281	153,634	156,926
Fidelity UK Aggregate Bond Fund	146,643	143,784	149,503
Total Interest Rate Risk Assets	301,924	297,418	306,429

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

Currency Risk – Sensitivity Analysis

Following consultation with the Fund's performance management advisors, the following table shows the potential impact of foreign exchange rate movements on the overseas holdings within the Fund (the analysis assumes that all other variables, in particular interest rates, remain constant):

Asset	Asset Value as at 31 March 2024	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	838	8.26	907	769
Equity	572,829	5.94	606,828	538,830
Multi Asset	45,087	5.64	47,631	42,542
Cash held in Foreign Currencies	10	4.34	10	9
Total Currency Risk Assets	618,764		655,376	582,150

The prior year comparator is as follows:

Asset	Asset Value as at 31 March 2023	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	1,180	9.12	1,287	1,072
Equity	511,995	6.72	546,378	477,611
Multi Asset	40,773	5.62	43,065	38,481
Cash held in Foreign Currencies	0		0	0
Total Currency Risk Assets	553,948		590,730	517,164

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided

for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions held in year where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The Fund has a private equity portfolio where there is a higher credit risk. At the reporting date 0.05% of the Fund was in private equity thereby capping exposure to this asset class. Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. The Fund's cash holding under its treasury management arrangements as at 31 March 2024 was £4m (£8.8m at 31 March 2023). This was held as follows:

Counterparty Type	31 March 2023 £000	31 March 2024 £000
UK Banks	8,753	4,007

All holdings with UK banks were held with Natwest who had a Fitch short-term credit rating of F1 and long-term credit rating of A+ as at 31 March 2024.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The cash position of the Fund is monitored to ensure that the Fund has adequate cash resources to meet its commitments. The Fund has immediate access to monies held in its current account. Monies on deposit are also highly liquid and are available to the Fund if needed. If the Fund found itself in a position where it did not have the monies to meet its immediate commitments, then liquid assets could be sold to provide additional cash. The fund defines liquid assets as assets that can be converted to cash within three months. As at 31 March 2024, the value of liquid assets represented 80% of the Fund (79% at 31 March 2023). Financial liabilities of £3.276m are all due to be settled within 12 months of the net asset statement date.

Refinancing risk

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

Note 16 – Funding Arrangements

In accordance with The Local Government Pension Scheme Regulations 2013, the adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Fund. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the Fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be re-valued every three years, the latest triennial valuation was carried out as at 31 March 2022 (effective from 1 April 2023) by the funds actuary, Barnett Waddingham. The results were published in the 31 March 2022 actuarial valuation which is available on the Royal Borough of Greenwich website.

The method of calculating the employer's contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the 'Projected Unit Method'. It is a method considered appropriate by the Actuary for a fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

The market value of the Fund at the 2022 review date was £1,640m (£1,332m in 2019) and results showed that assets represented 103% of the liabilities (97% in 2019). The Fund surplus arising from the valuation was £44m as at 31 March 2022 (£45m deficit as at 31 March 2019). Deficits are spread and recovered over a maximum 20-year period from 01 April 2023. The reconciliation of the contribution rate is as shown below:

Contribution Rate Analysis	Mar-22
	%
Future Service Total	18.2
Deficit Contribution	0.3
Total Employer Contribution Rate	18.5

The triennial valuation determines the contribution rate for each employer in the Fund using statistical information specific to each employer. The agreed contribution rates in accordance with the results of the actuarial valuation are as follows:

Year	Royal Borough of Greenwich	Other Bodies
2023/24	18.50%	12% - 19.1%
2024/25	18.50%	12% - 19.1%
2025/26	18.50%	12% - 19.1%

Details of each employer's individual rates are detailed in the Rates and Adjustment Certificate, which can be found in the triennial valuation report. New employers admitted after 31 March 2022 are actuarially assessed to determine their individual employer contribution rates.

The actuarial valuation using the 'Projected Unit Method' is based on economic assumptions. Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the inter-valuation period are summarised as follows:

Future Assumed Returns as at March 2022	Assumed Returns % p.a.
Investment Return	
Gilts	2.0
Cash	0.7
Corporate Bonds	2.8
Equities	6.9
Private Equity	6.9
Property	6.4
Infrastructure	6.4
Private Debt	6
Cash Plus	4.6
Multi Asset Credit	5

Financial Assumptions	2022 % p.a.	2019 % p.a.
Discount Rate	4.8	5.0
Salary Increases	3.9	3.6
Consumer Price Inflation (CPI)	2.9	2.6
Pension Increases	2.9	2.6

The assumed life expectations from age 65 are as follows:

Demographic assumptions – Life expectancy from age 65	31-Mar 2023	31-Mar 2024
<u>Retiring Today</u>		
Males	19.6	19.3
Females	23.0	22.7
<u>Retiring in 20 years</u>		
Males	21.0	20.6

The actuary has also assumed that:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Note 17 - Actuarial Present Value of Promised Retirement Benefits (IAS 19 basis)

To assess the value of the Fund's liabilities at 31 March 2024, the values calculated for the funding valuation as at 31 March 2022 have been rolled forward, using financial assumptions that comply with IAS19. The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is:

Net Present Value	31-Mar 2023 £000	31-Mar 2024 £000
<u>Present Value of Funded Obligation</u>		
Vested Obligation	(1,708,398)	(1,738,504)
Non-Vested Obligation	(17,991)	(17,367)
Total Present Value of Funded Obligation	(1,726,389)	(1,755,871)
Fair Value of Scheme Assets	1,584,266	1,690,650
Net Liability	(142,123)	(65,221)

The financial assumptions used to assess the total net liability as at 31 March 2024 are:

Financial Assumptions	Mar-23	Mar-24
	% p.a.	% p.a.
Discount Rate	4.80	4.90
Pay Increases	3.90	3.95

Pension Increases	2.90	2.95
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McCloud & Sargeant Judgements

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members in both the Judges Pension Scheme (McCloud) and the Firefighters Pension Scheme (Sargeant) amounted to unlawful discrimination. As a result, the Government announced that the judgements would apply to all public-sector pension schemes, including the LGPS. The Government Actuaries Department (GAD) was then asked to carry out an analysis on the possible impact of the judgement on LGPS liabilities.

The regulations related to the McCloud and Sargeant judgements took effect on October 1, 2023. These regulations may impact the valuation of liabilities associated with accrued benefits. An allowance for McCloud was already accounted for in a previous financial period, so no explicit adjustment will be made to our results this year.

Virgin Media

In the case of Virgin Media v National Transcommunications Limited (NTL) Pension Trustees II (and others) on 25 July 2024, the Court of Appeal upheld the High Courts decision with regards to the correct interpretation of legislation governing the amendment of contracted out defined benefit pensions schemes.

The case revolves around amendments made to the NTL Pension Scheme without the required actuarial confirmation under section 37 of the Pension Schemes Act 1993 and Regulation 42 of the Occupational Pension Schemes (Contracting-out) Regulations 1996.

The Court of Appeal upheld the High Court's decision that any amendments to scheme benefits made without the actuary's confirmation are void. This applies to both past and future service benefits.

At the point of writing HM Treasury is still assessing the implications of the Court Appeals Judgment and therefore the impact on Local Government Pension Scheme Funds remains unclear; however, the result could mean that amendments to any trust deeds or scheme rules which affect contracted-out rights will be void. This may impose an administrative burden on schemes to confirm if Section 37s are in place and, if any changes are void, schemes may have to review benefits paid out and possibly make backdated payments to members.

The current impact on The Royal Borough of Greenwich Pension Fund is currently unknown however the Fund will continue to monitor developments and assess any potential impact on liabilities

Note 18 – Debtors and Creditors

The following material amounts were due to, or payable from, the Fund as at 31 March 2024:

2022/23 £000	Debtors	2023/24 £000
	<u>Investment Debtors</u>	
24	Tax Refunds Due	23
2,873	Dividends Due	3,064
55	Interest	112
179	Sale of Investments	0
3,131	Total Investment Debtors	3,199
	<u>Member Debtors</u>	
626	Contributions	5,134
605	Other	645
1,231	Total Member Debtors	5,779
4,362	Total Debtors	8,978
	<u>Analysed By</u>	
4,264	Other Entities and Individuals	4,523
97	Local Authorities	4,207
1	Central Government Bodies	248
4,362	Total Debtors	8,978
2022/23 £000	Creditors	2023/24 £000
	<u>Investment Creditors</u>	
(895)	Management Fees	(912)
(0)	Purchase of Investments	(500)
(7)	Custody Fees	(8)
(17)	Other	(8)
(919)	Total Investment Creditors	(1,428)
	<u>Member Creditors</u>	
(717)	Benefits Unpaid	(759)
(823)	Other	(1,089)
(1,540)	Total Member Creditors	(1,848)

(2,459)	Total Creditors	(3,276)
	Analysed By	
(612)	Central Government Bodies	(775)
0	Local Authorities	0
(1,847)	Other entities and individuals	(2,501)
(2,459)	Total Creditors	(3,276)

Note 19 – Cash and Cash Equivalents

The cash balance can be further analysed as follows:

Cash	2022/23	2023/24
	£000	£000
Royal Borough of Greenwich Pension Fund (UK Banks)	8753	4,007
Royal Borough of Greenwich Pension Fund (Held at Custodian)	0	10
CBRE Cash at Hand	21	-4
Blackrock	1	0
Total Cash	8,775	4,013

Cash Equivalents	2022/23	2023/24
	£000	£000
Royal Borough of Greenwich Pension Fund	470	11,721
Blackrock	9	23
CBRE	15,888	13,474
Total Cash Equivalents	16,367	25,218

Note 20 - Additional Voluntary Contributions

Contributing members have the right to make Additional Voluntary Contributions (AVCs) to enhance their pension. The Authority made such a scheme available to staff through Equitable Life. During 2000/01, Equitable Life announced itself closed to new business. On 23 December 2010, the Government passed an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Since then, employees have had the option to pay current contributions into a Clerical Medical Fund. In accordance with section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, AVCs are prohibited from being credited to the Local Government Pension Scheme and are thus not consolidated within the Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, as at 31 March 2024 are shown below:

2022/23 £000	AVC Contributions	2023/24 £000
165	AVC Contributions to Clerical Medical	174
165	Total Contributions	174

31 March 2023 £000	AVC Market Values	31 March 2024 £000
1,076	Clerical Medical Market Value	1,327
328	Utmost Life and Pensions Market Value	353
1,404	Total Market Value	1,680

Note 21A - Related Party Transactions

The UK Government exerts a significant influence over the Fund through enacting the various Regulations (mentioned herein). It is a major source of funding for the Royal Borough of Greenwich (the Administering Authority and largest employer within the Fund). During the year, no trustees or Key Management Personnel of the Authority with direct responsibility for pension fund issues have undertaken any material transactions with the Pension Fund, other than the following:

- Administrative Services were undertaken by the Authority on behalf of the Fund, under the SLA, valued at £1.148m (2022/23: £0.980m).
- The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £35.850m to the Fund in 2023/24 (2022/23: £33.090m). In 2023/24, £2.997m was outstanding at year end in relation to contributions due from the Royal Borough of Greenwich.

- c) With respect to other Scheduled Bodies, an amount of £0.661m was owed to the Fund by Academies at year-end for contributions due.
- d) The Royal Borough of Greenwich Pension Fund is a Member of the London Collective investment vehicle. As at the reporting date, Councillor Olu Babatola was the Fund's representative on the Board and the Deputy was Councillor Nick Williams. In 2023/24, administration and management fees of £0.201m were paid to this organisation.

Note 21b – Key Management Personnel

Key Management Personnel Remuneration

The Key Management personnel of the Fund are the Director of Finance (Section 151 Officer), the Chair of the Pension Fund Investment and Administration Panel and the Pension Investment Manager. The total remuneration payable to key management personnel is set out below:

2022/23 £000	2023/24 £000
75 Short-term benefits	79
46 Post-employment benefits	61
121	140

Note 22 – Commitments

The Fund has commitments in relation to its private market funds. These commitments are drawn down in tranches over time, as and when the managers request them. As at 31 March 2024, the Fund had £50.352m of commitments outstanding (31 March 2023: £59.519m). These are not required to be included in the Accounts.

Note 23 – Events after reporting period

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

Royal Borough of Greenwich Pension Fund Funding Strategy Statement

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Introduction

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

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

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

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

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

Aims and purpose of the Fund

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

Funding objectives

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

The funding objectives are to:

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

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

Key parties

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

The administering authority

The administering authority for the Fund is the Royal Borough of Greenwich Pension Fund. The main responsibilities of the administering authority are to:

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

Scheme employers

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

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

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales. Please note that if contributions are not paid within the set timescales, the employer may be fined and/or reported to the Pensions Regulator.
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

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

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

Funding strategy

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

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	
Surplus (Deficit)	£44m
Funding level	103%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 16.6% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

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

Funding method

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

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

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

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

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

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

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

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

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

Valuation assumptions and funding model

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

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

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

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years which is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

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

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

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.8% p.a.

Asset valuation

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

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

Demographic assumptions

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

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgments

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2023 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their normal retirement age at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of the McCloud/Sergeant judgment can be found below in the Regulatory risks section.

Guaranteed Minimum Pension (GMP) indexation and equalisation

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found [here](#).

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

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

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 14 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a surplus, the preferred approach is for contribution rates to be set as the calculated primary rate as a minimum rate. However, the level of required employer contributions may include an adjustment to amortise the surplus but must be permitted by the administering authority. This will be considered, as appropriate, on a case-by-case basis.

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

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

Pooling of individual employers

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

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Academies	Past and future service pooling	All academies in the pool pay the same total contribution rate
Greenwich Leisure	Past and future service pooling	All employers in the pool pay the same total rate
Council	Past and future service pooling	All employers in the pool pay the same total rate

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate. The Fund disbanded the Admission Bodies pool as part of the 2019 funding valuation as these employers had become more diverse and instead these employers are pooled with the Council or are in the Greenwich Leisure pool.

Risk-sharing

There may be employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. In general, when the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer. Further detail can be found in the Exit credit policy section.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

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

Funding at start of contract

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

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

Contribution rate

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

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

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to have a guarantor or put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority. If this form of security is not available for a new admission body the Administering Authority have discretion to allow, an alternative form of security if and only if this is satisfactory to the administering authority.

New academies

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

Funding at start

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

Note that if the new academy is more than fully funded at conversion date, based on the active cover approach, the academy will join the Academies pool fully funded but will not transfer any surplus to the pool.

On conversion to academy status, the new academy will join the Academies pool and will be allocated assets based on the funding level of the pool at the conversion date, allowing for any transferred deficit.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2022 valuation.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy which can be accessed [here](#). This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

Cessation valuations

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

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

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

Further details are given below.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document [here](#). This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

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

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

Exit credit policy

Any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

Under advice from MHCLG, administering authorities should set out their exit credit policy in their Funding Strategy Statement. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of, but not necessarily all, “pass-through” arrangements. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Rates and Adjustments certificate only which will therefore exclude early retirement costs.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer’s cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example, if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

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

Bulk transfers

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

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis). Similarly, the Fund will not pay bulk transfers more than the asset share of the transferring employer in the Fund nor the value of the past service liabilities of the transferring members, based on the latest funding valuation, updated for market conditions at the transfer date. A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

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

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

Risks and counter measures

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

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

Financial risks

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

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

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

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

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

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 3%.

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

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

The fund may consider, in cases of strong employers covenant for employers participating in the Council pool to not pay additional amounts to cover any strain costs arising from early retirements at the retirement date but instead allow for the additional liability at the next formal valuation and pay additional contributions to meet these strains as part of their secondary rate contributions. The Fund is comfortable with this approach due the strong covenant of the Council.

There is an ill-health allowance made within the calculation of the contribution rate paid by employers participating in the Fund. Where the ill-health experience is worse than assumed the employer will, all else being equal, need to pay higher contributions following the next formal valuation.

Climate risk

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

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes. More detail is included in the Fund's Investment Strategy Statement.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios. The principles behind the analysis were agreed with the Government Actuary's Department (GAD).

The results of this analysis demonstrated that the funding strategy agreed as part of the 2022 valuation was sufficiently robust in the context of climate scenario analysis and any potential contribution impacts.

The Fund will continue to assess this risk on a regular basis.

Maturity risk

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

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

The Fund is actively managing this risk and has carried out cash flow modelling and the analysis and results have been set out in a report to be considered by the Pension Committee. The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

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

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

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

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

McCloud/Sargeant judgments

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgment but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Cost control mechanism

As a result of the public service pension schemes reforms, the Government established a cost control mechanism for all those schemes to ensure a fair balance of risks between scheme members and the taxpayer. The process has been complex and has still not been fully resolved. Although the 2016 cost cap valuation report for the LGPS has been published, at the time of writing there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. Therefore, there is still a possibility that the 2016 valuation may have to be revisited with the small chance that benefit improvements will be required and potentially backdated to April 2019.

For the purposes of the 2022 valuation, we have made no allowance for any potential benefit changes. The Fund's prudence allowance already allows for an element of regulatory uncertainty and any potential impact is not deemed to be material.

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

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

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

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and a full outcome is now awaited. So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below.

Timing of future actuarial valuations

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

Changes to employers required to offer LGPS membership

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

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

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the

employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

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

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

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

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

Governance risks

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

In addition, if data provided by the employer is incomplete or inaccurate then the fund actuary will need to estimate the data for the purposes of the valuation. These estimates will err on the side of caution and therefore if employers provide incomplete/inaccurate data they may pay higher contributions than otherwise.

It is therefore imperative that employers provide complete and accurate data in a timely manner, as requested by the Administering Authority.

Monitoring and review

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

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

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

Royal Borough of Greenwich Pension Fund Communications Policy

The following statement covers the policy of the Royal Borough of Greenwich in its role as the administering authority for the Royal Borough of Greenwich Pension Fund as required under Regulation 61 of the Local Government Pension Scheme Regulations 2013.

Purpose of a communications policy statement

The Regulations on scheme communications require an administering authority to prepare, maintain and publish a policy statement taking account of relevant stakeholders. These include:

- Scheme Members
 - Active members
 - Deferred members
 - Pensioners / Dependants
- Prospective Members
- Scheme Employers
- Prospective Employers
- Trade Union and other scheme member representatives

The Policy must take into account:

- The format of communication
- The frequency of communication
- The method of distribution
- The promotion of the scheme to prospective members and their employers

This statement must be revised and published following a material change in policy on any of the matters referred to above.

When deciding how to communicate we take into consideration our audience and the cost to the Fund. We aim to use the most appropriate means of communication for the audiences receiving the information.

A range of scheme literature, fund documents and policies are available on our website <http://www.royalgreenwich.gov.uk/pensions> . These are also supplied to employing bodies and Scheme members directly when appropriate.

Information on the pension board can also be found on our website.

We provide a generic email address, pensions@royalgreenwich.gov.uk. This enables members to email their queries which are picked up and passed to the relevant member of staff. Alternatively, the Pension team can be contacted by telephone, in writing or in person.

Since the COVID pandemic there has been a push to move to mainly email communication.

Member self-service at <https://mypension.royalgreenwich.gov.uk> allows members to access their whole record, review their annual benefit statements, undertake estimates of their pension benefits and make amendments to their personal details where allowed. Members can also contact the pension team via member self-service, upload and download various documents and forms. Links are also available to other useful pension sites for example the national members website, the pension regulator and the state pension scheme.

Data Protection

The Royal Borough of Greenwich has a duty to protect personal information and will process personal data in accordance with GDPR and the Data Protection Act 2018. The Fund may, if it chooses, from time to time share personal data with third parties, including our contractors, advisors, government bodies and dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under law, and in connection with the provision of services that help us carry out our duties, rights and discretions in relation to the Fund. These organisations are listed in the full Privacy Notice.

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

In some cases, recipients of your personal data may be outside the UK. If this occurs, we will make sure that appropriate safeguards are in place to protect your data in accordance with applicable laws.

Further information can be found in the Full Privacy Notice at the following link
www.royalgreenwich.gov.uk/pensionprivacynotice .

Our future Plans

We recognise the importance of accurate, timely and appropriate communications and continually review how we communicate with our stakeholders. In the future we plan to:

- Promote the use of our website
- Continue promoting the use of member self-service which now permits on line pension forecasts and statements.
- Continue to review scheme literature

Contact details

Finance Directorate
Pensions Section
The Woolwich Centre
35 Wellington Street
Woolwich
London
SE18 6HQ

Telephone: 020 8921 4933

Email: pensions@royalgreenwich.gov.uk

Website: www.royalgreenwich.gov.uk/pensions

Royal Borough of Greenwich Pension Fund Communications Policy

Communications with Scheme Members

Active Members Communication Material	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
New Starter Information	✓	✓			On joining and when enrolled under Automatic enrolment duties	Direct to home address
Changes to membership	✓	✓			When there is a material change to pension details	Direct to home address or email or via self service
Annual Benefit Statement	✓		✓		Annually	Direct to home address or via self service
Annual Allowance Statements and information	✓	✓	✓	✓	Annually to affected members or requested by member	Direct to home address/face to face meeting, if requested via email and made available on self service
AVC contribution statements	✓				Annually	Direct to home address
Ceasing scheme membership	✓	✓			When membership of the scheme ceases	Direct to home
Scheme guides	✓	✓	✓		On joining and where the member opts out.	Direct to home address, website
Changes to Scheme Regulations	✓		✓		As required but within regulatory guidelines	Direct to home address/website
Information and guides on the pension scheme		✓	✓		Updated as required	Via website available to all members
Presentations (such as pre-retirement)				✓	As required	As appropriate
Full administration service	✓	✓	✓	✓	Daily	As appropriate

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Self Service facilities: Personal Details			✓		As required by member	Via Secure Website
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			
Deferred Members	Format				Frequency	Distribution
Communication Material	Paper	Email	Web	In Person		
Deferred Benefit Statement	✓		✓		Annually	Direct to home address or via self service
Retirement Option on reaching age 55 and Normal Pension age (NPA)	✓		✓		Automatically at NPA or as requested by member	Direct to home address or via self service
Changes to Scheme Regulations that have an affect	✓		✓		As required but within Regulatory guidelines	Direct to home address/website
Information and guides on the pension scheme			✓		Updated as required	Via website available to all members
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Self Service facilities: Personal Details			✓		As required by member	Via Secure Website
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Pensioners & Dependants	Format				Frequency	Distribution
Communication Material	Paper	Email	Web	In Person		
Payslip	✓		✓		Upon commencement of pension. Then issued twice a year (April and May). Further payslips issued if there is a change of £5 or more in Gross Pay	Direct to home address or via self service
P60	✓		✓		Annually	Direct to home address or via self service
Notification of Pensions Increase	✓				Annually included with April payslip	Direct to home address
Changes to Scheme regulations that have an affect	✓		✓		As required but within Regulatory guidelines	Direct to home address/website
Information and guides on the pension scheme			✓		Updated as required	Via website available to all members
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Self Service facilities: Personal Details and view payslips			✓		As required by member	Via Secure Website
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Prospective Members	Format				Frequency	Distribution
Communication Material	Paper	Email	Web	In Person		
Scheme Guide	✓	✓	✓		As requested	Direct to home address, website
Scheme Presentations				✓	As required	As appropriate
Information and guides on the pension scheme			✓		Updated as required	Via website available to all members
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

Scheme Employers & Prospective Employers

Scheme Employers	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Communication Material						
Dedicated liaison officer - Visits, training and contact point for all employers	✓	✓	✓	✓	As required	Deputy Pension Operations Manager
Changes to the Scheme Regulations	✓		✓	✓	As required but within Regulatory guidelines	Direct to employer
Actuarial information		✓			Annually / Triennially/ as required by employers	Direct to employer
Training		✓		✓	As required	As appropriate
Presentations				✓	As required	As appropriate
Information, forms, statements and guides on the pension scheme		✓	✓		Issued and updated as required	Via website available to all employers
Full administration service	✓	✓	✓	✓	Daily	As appropriate
RBG Pension Fund Investment and Administration Panel			✓		Quarterly as a minimum	Via website available to all employers
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Prospective Employers	Format				Frequency	Distribution
Communication Material	Paper	Email	Web	In Person		
Dedicated liaison officer	✓	✓	✓	✓	As required	Head of the Pension Service
Information on Scheme Regulations	✓	✓	✓	✓	As required within Regulatory guidelines	Direct to employer
Actuarial information	✓	✓		✓	Before becoming a new employing authority	Direct to new employer
Training				✓	As required	As appropriate
Presentations				✓	As required	As appropriate
Information, forms, statements and guides on the pension scheme		✓	✓		Issued and updated as required	Via website available to all employers
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

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Trade Unions/Other Scheme Member Representatives

Trade Unions/Other Scheme Member Representatives	Format				Frequency	Distribution
	Paper	Email	Web	In Person		
Communication Material						
Training				✓	As required	As appropriate
Presentations				✓	As required	As appropriate
Information, guides on the pension scheme			✓		Updated as required	Via Website available to all members
RBG Pension Fund Investment and Administration Panel			✓		Panel Meetings, quarterly as a minimum	Employee Representative
Full administration service	✓	✓	✓	✓	Daily	As appropriate
Pension Fund Policies			✓			
Annual Report and Accounts			✓		Annually	
Pension Board Information			✓			

October 2023