



Royal Borough of
Kingston upon Thames

Pension Fund Annual Report

2016/17

**Royal Borough of Kingston upon Thames Pension Fund
Annual Report 2016-17**

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INTRODUCTION AND OVERVIEW

Report of the Interim Section 151 Officer and Head of Finance - Strategy & Accounting

I am pleased to introduce the Annual Report of the Fund for the financial year 2016/17.

The Pension Fund Panel

The Pension Fund Panel (“the Panel”) is responsible for overseeing the management of the Royal Borough of Kingston upon Thames Pension Fund, including investments, actuarial work, administration and fund governance.

During 2016/17, the Panel challenged the performance of the investment managers, who manage mandates in accordance with the Fund’s investment strategy. At two “all day” meetings, each manager was required to present to the Panel and account for their performance against the mandate benchmark they have been set. Any changes to the managers’ investment teams were also discussed and the managers were required to disclose any changes to their internal control systems and procedures to give assurance that reported exceptions and control weaknesses do not impact on the Pension Fund assets.

In addition, at scheduled quarterly meetings, the Panel considered key items, as well as monitoring the activity and performance of the investment managers.

Since the end of the financial year, two of the Fund’s investment managers have been involved in mergers. Henderson Group merged with Janus Capital Group on 30 May 2017 to become Janus Henderson Investors, and Standard Life plc merged with Aberdeen Asset Management PLC on 14 August 2017 to form Standard Life Aberdeen plc. In both cases the mergers are intended to be complimentary, and there are no direct impacts on the investment strategies in which the RBK Fund is invested. The position will be kept under review.

The triennial valuation of the Fund as at 31 March 2016 formed a key part of the Panel’s work in the year. The process had been outlined in a presentation to the Panel by the Fund’s actuary, Hymans Robertson LLP, in February 2016. The actuary presented on the initial valuation results to the December 2016 meeting, and the final outcome was reported in February 2017. At the February meeting the Panel also approved two related documents for consultation - the Funding Strategy Statement and the Investment Strategy Statement. These two documents respectively set out the Fund’s approach to eliminating its deficit and achieving 100% funding, and how its Investments will be managed to achieve this. Following consultation the documents were published as required by the Regulations.

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The Panel approved a strategic review of the Fund's investments following the triennial valuation, and that work is progressing with the Fund's Investment advisors, Aon Hewitt.

The regulatory environment also drove a significant part of the Panel's work - progress on pooling of investments continued, including a response to a further Government consultation on that subject, and the London Collective Investment Vehicle (CIV) continued to progress. There were also updates on the proposed introduction of the EU's second Markets in Financial Instruments Directive (MiFID II) and on the 2016 LGPS (Investment and Management of Funds) Regulations.

Following the implementation (on 1 April 2016) of the shared Pensions Administration Service with the London Borough of Sutton, the Panel continued to receive regular updates on the performance of the team, and noted the improvements in service performance which this arrangement has brought.

The Council has also implemented a shared Finance service with Sutton - that commenced operation in April 2017. However in preparation for that, work to facilitate long term savings through aligning key contracts continued - in particular the Panel agreed to extend the contract with its actuaries to 2020 to facilitate a joint tender at that point.

The Panel's work programme for 2017/18 includes:

- ongoing review of the Fund's investment strategy, in consultation with the Fund's investment advisors (Aon Hewitt), and opportunities to access the London CIV;
- Investment Benchmarking;
- The impact of regulatory changes, notably MiFID II, which will be implemented in January 2018.

I would like to thank the Members of the Pension Fund Panel and our volunteer advisory member Matthew Lambe, for their work during the year.

Pension Board

The Pension Board was set up in line with the requirements of the Public Service Pensions Act 2013, and the Local Government Pension Scheme (Amendment Regulations 2014, and became operational from April 2015.

The Board is not a decision making body - its remit is to assist RBK in carrying out its functions as the "administering authority" for the Fund, by scrutinising the approach and governance of the decision making processes.

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The Board met three times in the 2016-17 financial year. Additionally, Board members have a standing invitation to attend meetings of the Pension Fund Panel, and some members attended briefings at those meetings.

The Board's work was also dominated by the triennial valuation - it received updates on progress, reports on the initial and final results, and considered the draft Funding Strategy and Investment Strategy Statements.

Finally, the Board monitored the approach to addressing concerns regarding Pensions Administration, including the late issuing of annual benefit statements.

Investment Summary

Over the year, the total Fund return was 21.3% compared to the combined customised benchmark return of 21.1%. The average Local Authority Universe – a peer group of 60 UK local authority pension funds returned 21.4%.

Over the long-term, the Fund's annualised performance compared with the customised benchmark return and the Local Authority Universe was as follows:

	RBK	Benchmark	LA Universe
3 years	12.0	12.4	11.2
5 years	11.7	11.5	10.7
10 years	7.8	7.2	7.0

Global equity markets performed strongly in 2016/17 - with strong gains in each quarter, the Fund's benchmark (the MSCI all countries world index) increased by 32.2% in the year. This was reflected in the returns earned by the Fund's equity managers - all of whom achieved returns above 30% in the year. It should be borne in mind that a significant part of these gains arose because of the significant fall in sterling following the EU referendum in the UK (as global equities are largely held in other currencies).

The three equity managers have different targets and investment styles - they were appointed to provide complementary / diverse approaches which will perform differently according to market conditions. During 2016/17, "value" stocks performed well, and Schroders' performance (exceeding the benchmark by 4.9%, compared with their target of outperforming the benchmark by 3%) reflected this. By contrast, the "core strategy" implemented by Fidelity, and the "quality/growth" portfolio of Columbia Threadneedle both fell short of the benchmark (by 1.5% and 1.8% respectively).

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Bond markets also performed strongly - there was volatility in 2016 due to the UK's EU referendum vote (June) and subsequent weakness of sterling, and also because of uncertainty when elections were pending in the US (November) and in a number of EU countries. Ultimately investment grade and high yield corporate bonds outperformed their government counterparts in both Europe and the US, and returns reflect this. The Fund's exposure to bonds continued to be managed by Hendersons in two portfolios. The sterling corporate bond portfolio (All Stocks Credit Fund) achieved a return of 10.0%, exceeding its target return of 9.7% (target is to outperform the iBoxx All Stocks Non-Gilts Index by 0.5%); while the Total Return Bond Fund, which is intended to provide protection against falls in values which occur when yields rise, returned 5.4% (slightly below its target return of 6%).

UK Property returns were lower in 2016/17 - the Fund earned 3.1% on its property investments compared to the benchmark (IPD UK All Balanced Funds Index) increase of 3.9%.

The two Diversified Growth Funds (DGFs), which were introduced to provide some diversification and reduce the Fund's volatility, performed differently from each other, reflecting the very different approaches of the two managers. The Pyrford Fund (now held in the London CIV) produced a return of 8.8% (0.7% above its target of RPI plus 5%), whilst the Standard Life Fund showed a return of 0.5% (5.1% below its target of 6 month LIBOR plus 5%).

Actuarial Valuation

As indicated above, the 2016 triennial valuation was completed during the year. This indicated that at 31 March 2016 the Funding level had improved significantly from the previous (2013) valuation.

There was growth in the period in both the Fund's assets (from £502m to £649m) and its liabilities (from £712m to £794m). As a consequence, the deficit fell (from £210m to £145m) and the funding level improved from 70.5% to 81.7%. The main reason for this improvement was that investment performance exceeded the assumptions made in the 2013 valuation.

The Fund continues to receive half yearly updates from its actuary, now calculated on a rolled forward basis using the 2016 valuation data and assumptions. The funding update as at 31 March 2017 indicates that the funding level has improved further to 85.1%. This is again largely attributed to better than expected investment returns. However, while the value of the Fund's assets increased to £800m at 31 March 2017, market factors mean that the value of the Fund's liabilities has increased significantly (to £940m) over the same period on an ongoing funding basis, meaning that the deficit fell only to £140m.

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The actuary's recommendations set the required level of employers' contributions for the three year period from 2017/18 and the period over which the Fund is expected to become fully funded (20 years). This will be one of the key inputs into the review of the Fund's long-term investment strategy during 2017/18.

The next actuarial review will take place at 31 March 2019.

Scheme Administration

2016/17 was again a busy year for Local Government Pension Scheme (LGPS) administrators. The shared Pensions Administration service with the London Borough of Sutton went "live " in April 2016. The team had a significant programme of work to address backlogs of outstanding work, align and streamline processes, and improve the performance of the IT system supporting this work.

Its work was dominated by the triennial valuation process - particularly the submission of member data for the various scheme employers (whose numbers continue to grow), and subsequently with communicating and implementing results with employers.

Another challenge has been the continuing preparation for auto-enrolment – this requires scheme administrators to confirm at regular intervals that employees who are eligible to be members of the scheme but have chosen to opt out do not wish to change that decision (previously the onus has been on the employee to notify the employer should he /she wish to change the decision). Whilst this is now in place for new employees, Royal Borough of Kingston (as an employer) has opted to delay full implementation for existing employees until 2017.

Jeremy Randall
Interim Section 151 Officer and
Head of Finance - Strategy & Accounting

MANAGEMENT AND FINANCIAL PERFORMANCE

Introduction

This annual report sets out key information about how the Royal Borough of Kingston upon Thames Pension Fund is managed for the benefit of all employers, contributors and beneficiaries. This report summarises the financial and management performance in 2016/17 and it is produced in accordance with guidance contained in the Local Government Pension Scheme (LGPS) regulations.

Following the completion of the triennial actuarial valuation, and to meet the requirements of the LGPS Regulations, the Pension Fund Panel approved two documents which set out its approach to achieving the Fund's objective of being 100% funded, i.e.

- a Funding Strategy Statement which sets out how it intends to move from the position following the valuation to meeting that funding objective (both in overall terms and for each individual employer, reflecting the differences between the types of employer in the Fund; and
- an Investment Strategy Statement setting out how the Fund's investments will be managed in order to generate the required returns and cash flows to meet the funding objective.

Following consultation with employers, those documents were published on the Council's website, together with the Actuary's report and the Rates and Adjustments Certificate (which sets out details of contribution rates to be paid by employers).

Following the Valuation, the Panel has commenced a review of its Investment Strategy - in particular considering whether to reduce gradually its allocation to equities, and if so, how this should be achieved. This work is continuing in 2017/18.

The Panel previously agreed to implement a rebalancing policy to ensure that asset allocation remains in line with the agreed investment strategy. The Panel endorsed the introduction of tolerance ranges around the Fund's strategic allocation to ensure that the Fund's asset allocation is consistently within the agreed investment strategy. In 2016/17, no rebalancing was carried out in line with that policy, taking the appropriate specialist advice in doing so. The aim of rebalancing is to introduce more diversification to broaden the sources of investment returns over the longer term and mitigate risk taking into account the changing pattern of market volatility. The Fund did however use its surplus cash income to increase its holdings in bonds (Total return Bond Fund), and continued to monitor its holdings in other asset classes.

The Fund continues to work with the London CIV, as that organisation works to expand the range of investment opportunities available to London Funds in accordance with the Government's policy. During June 2016, the DGF investment with Pyrford was brought into the management of the CIV, and a significant fee

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saving was achieved in doing so. As the new investment strategy is developed it is envisaged that the additional opportunities offered via the CIV will facilitate efficient and timely implementation of proposed changes in asset allocation.

The Panel reviews fund managers' activity and results quarterly to ensure that the investment strategy remains consistent with the objectives and performance targets are being met.

The Panel is made up of five elected members of Royal Borough of Kingston upon Thames, four non-voting members representing Kingston University, Kingston College (the two largest scheduled bodies), the RBK staff side and the Association of Retired Council Officers. This promotes good governance and increases stakeholder involvement in the management of the Fund. Also, an independent advisory member serves on the Panel.

This annual report and its appendices are published on the Council's website. The report contains links to the website and to the financial statements of the Pension Fund for 2016/17. The Pension Fund's statement of accounts has been prepared in accordance with CIPFA's latest Statement of Recommended Practice (SoRP).

RISK MANAGEMENT

Following a review of the Fund's governance arrangements during 2014/15, the Panel approved the development of a standalone Risk Register for the Fund to be reported regularly to the Panel.

The most important risk facing the Fund is that its assets will be insufficient to meet its liabilities in the long-term. The Royal Borough of Kingston upon Thames as Administering Authority for the Fund appreciates the importance of effective risk management and has taken appropriate steps to ensure that there is a clear process by which the risks implicit in the Pension Fund are systematically identified, monitored and managed at the strategic and operational level. The Authority has a formal risk management strategy and risk register which is monitored and reviewed by the Director of Finance on a regular basis giving regard to changes in the internal and external environment. Assurances on the robustness of the Authority's risk management arrangements are provided by officers and external advisers to the Pension Fund Panel.

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Governance Risk

Responsibility for the Royal Borough of Kingston Pension Fund's investment strategy, fund performance, investment transactions and related matters is delegated to the Pension Fund Panel which reports to the Treasury Committee for decision-making. The Panel is subject to the Council's Standing Orders and the Code of Conduct.

The Panel considers investment strategy options as an integral part of the funding strategy to avoid mismatch risk. Broadly, the approach to risk management is to minimise risk which cannot be eliminated entirely. All investments expose the Fund to varying levels of risk. The decision-making process used in the investment strategy review and the selection of fund managers is designed to ensure that the level of risk taken by managers and the custodian is kept to the minimum and consistently within the risk tolerance range necessary to achieve the Fund's investment objectives.

Internal controls and processes are in place to manage administrative and other financial risks. Risk management processes ensure that key risk exposure is identified and action plans put in place to manage and mitigate risk. The Administering Authority works collaboratively with the other employers in the Fund, fund managers, custodian and specialist advisers. All advice is delivered via formal meetings involving Elected Members, and recorded appropriately.

The Administering Authority informs other employers of their obligations to the Fund and employers are required to notify the Administering Authority promptly of all changes to their circumstances, prospects or membership.

The fund managers and custodian are required to report annually on internal control compliance, to demonstrate they comply with their risk controls.

Financial Risk

The Administering Authority shares common financial management framework with the Council and uses the Council's financial accounting system. The Pension Fund maintains its own separate bank account. Late payment of contributions by employers and admitted bodies is monitored and regulated through a sanction for late payment. Reconciliation processes and monitoring controls ensure all contributions are paid on time.

The management of financial instruments risk is disclosed in the Statement of Accounts 2016/17 (Note 17).

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Investment Risk

The Fund invests on the basis of specialist advice and manages investment risk through diversification by asset class, geographies and use of external fund managers to manage investments. The Fund's assets are managed by seven managers across global equities, fixed income (corporate and absolute return) bonds, property and diversified growth funds mandates.

The Panel is supported by expert investment and legal advisers, external fund managers and a global custodian for safe custody of assets. Also, an independent advisory member has been appointed to support the work of the Panel. The advisers provide specialist input to the Panel to facilitate informed decisions on investment matters.

The Panel follows a due diligence process in the selection of the fund managers and other service providers, to ensure the appointment of appropriate firms who demonstrate the ability to manage the Fund's assets within the investment risk parameters specified in the Investment Management Agreement (IMA).

The Panel reviews activity and monitors performance and risk, at total Fund and individual manager level, against set targets and benchmarks on a quarterly basis based on independently validated information.

Regulatory Risk

The LGPS is facing continuing reform. The funding strategy is exposed to changes in the Scheme benefits and tax status of the Fund's investments from a cost perspective. To mitigate this risk, the Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Also, the Authority takes professional advice from the Fund's actuary and investment adviser as required.

The Administering Authority continues to ensure that timely action is taken to implement any changes under new regulations and that it remains proactive and innovative in respect of the significant regulatory developments and challenge of more reforms in the coming years.

The Pension Board assists the Administering Authority for the Fund, by scrutinising the approach and governance of the decision making processes.

The Government has for a number of years been developing proposals to introduce "pooling" of investment assets within the LGPS, with the aims of reducing costs, improving investment returns and offering access to a wider range of investment opportunities which might otherwise not be practical for London

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Borough funds because of their relatively small size.

In response, the London LGPS Administering Authorities established a Collective Investment Vehicle (CIV) - known as London LGPS CIV Limited. The Panel approved the successful transfer of RBK's holding in the Pyrford Diversified Growth Fund to the London CIV in June 2016.

The Council also utilises frameworks set up by other Authorities to procure specialist services for the Pension Fund.

Administration Risk

The Pension Fund Panel is responsible for the administration of the Fund. The Panel meets quarterly to consider various reports on matters in the programme of work for the period. In addition the Panel meets twice a year to carry out a comprehensive assessment of fund managers' performance.

The Panel receives reports and updates on pensions administration covering workload, staffing and systems. Also, the Panel monitors performance of the Scheme administration in respect of active, deferred and retired members. The risk of late payment of member benefits and miscalculation of benefits through manual error is managed through a workflow system and through use of system controls and internal checking.

The risk of incorrect payment, late payment and non-payment of contributions is mitigated by ensuring that an effective process is maintained to collect employer and employee contributions due to the Fund. The Administering Authority communicates and works closely with the other employers to ensure that they understand their obligations to the Fund.

The risk of monies not being promptly invested is mitigated by daily cash flow management and monitoring of the Pension Fund bank account to ensure that amounts not required for day-to-day commitments are invested with fund managers.

The Authority seeks to employ skilled and experienced officers and ensures that staff are trained and kept up to date on changes to the LGPS.

Business Continuity

Risk of system failure is managed through an externally managed pension benefits administration system with daily back up in addition to use of the Council's business continuity plans which are tested and updated annually.

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FINANCIAL PERFORMANCE

Fund Accounts and Net Assets Statement

The Auditors Report and the Pension Fund Statement of Accounts for 2016-17 are appended to this report (Appendices 1 and 2) and will be made accessible via the link below

http://www.kingston.gov.uk/downloads/download/718/our_accounts_201617

Five Year Summary of Financial Statistics

Year Ended 31 March Revenue Account	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m
Income					
Contributions	29.5	31.4	33.7	35.8	37.9
Investment Income	7.2	6.9	5.0	4.0	7.2
Cash Transfer Values	6.7	9.6	3.6	1.7	1.5
	43.4	47.9	42.3	41.5	46.6
Expenditure					
Pension & Benefits	23.5	25.3	26.5	28.7	28.7
Management Expenses	2.2	3.4	3.7	3.4	4.3
Cash Transfer Values	3.7	3.0	1.8	2.3	2.5
	29.4	31.7	32.0	34.4	35.5
Surplus for the Year	14.0	16.2	10.3	7.1	11.1
Revaluation of Investments	55.8	31.1	87.3	(6.3)	133.5
Change in Fund Value	69.8	47.3	97.6	0.8	144.6
Total Fund Value	501.4	548.7	646.3	647.1	791.7

The Fund continues to be a growing Fund and cash flow positive, as contributions from members and employers exceed the cost of pensions and benefits payable.

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Investment Management Expenses	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Management Fees	2,588	2,287	3,272
Performance Fees	48	19	4
Custody Fees	18	44	41
Transaction Costs	168	133	186
TOTAL	2,822	2,483	3,503

Investment Management Expenses Commentary

Portfolio management fees increased.	The increase in 2016-17 is mainly due to the significant increase in the market value of assets under management.
Aon Hewitt the Pension Fund's investment advisers carried out advisory work throughout the year.	Aon Hewitt, appointed through the Croydon Framework as the Pension Fund's investment advisers, carried out work on the investment strategy and provided advice on a number of matters, in particular Fund rebalancing and on approaches to equity investment.

INVESTMENT POLICY AND PERFORMANCE

The Fund's current strategic asset allocation was approved by the Panel in December 2014. In June 2015 the Panel also endorsed the introduction of tolerance ranges around the Fund's strategic allocation with an appropriate rebalancing policy (excluding property – due to allocation size and illiquidity).

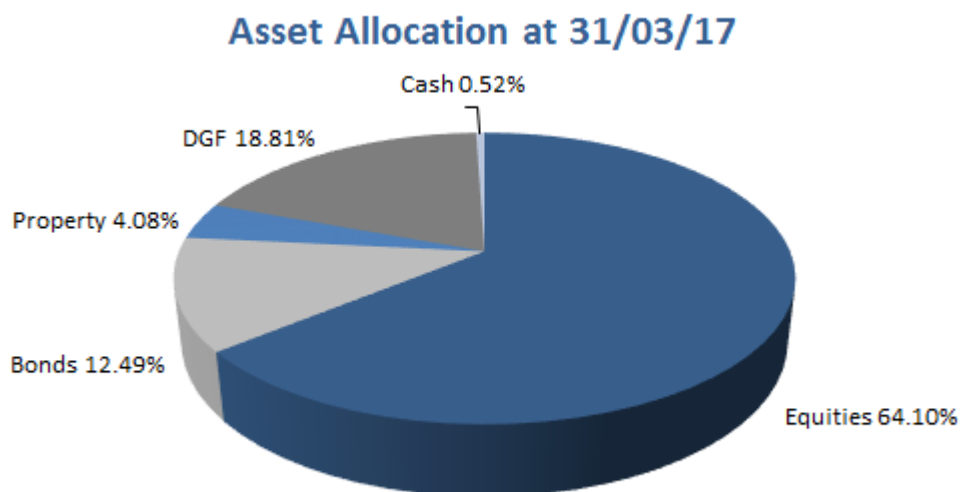
Below is a breakdown of the current strategic asset allocation of the Fund at 31st March 2017, and the permitted ranges for the re-balancing policy.

Asset class	Strategic Asset Allocation	Permitted Range
	%	%
Equities	60	55 - 65
Diversified Growth Fund (DGF)	20	15 - 25
Bonds	15	10 - 20
Property	5	No rebalancing
Total	100	100

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In October 2016, given the underweight position to bonds, the employer lump sum deficit contribution, was used to make an additional investment of £3.5m in the Henderson Total Return Bond Fund.

Below is the asset allocation at 31st March 2017. It shows that the Fund's policy mix is consistent with the investment strategy agreed by the Pension Fund Panel with a small balance of cash held for liquidity purposes.



Fund managers' results are measured against specified benchmarks and each manager is set clear outperformance target. The current benchmarks and fund managers' targets are shown in the table below.

Portfolio	Mandate	Benchmark	Target (over Rolling 3 Years)
Fidelity	Global Equities	MSCI AC World Index	+1.5% to +2.0% pa
Columbia Threadneedle	Global Equities	MSCI AC World Index	+2.5% to +3.0% pa
Schroders	Global Equities	MSCI AC World Index	+3.0% pa
Henderson (ASC) ¹	UK Bonds	iBoxx All Stocks Non-Gilts Index	+0.5% pa
Henderson (TRB) ²	UK Bonds	No Benchmark	+6.0% pa
UBS	UK Property	IPD UK All Balanced Funds MI	Outperform IPD Index

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London CIV - Pyrford	Diversified Growth Fund	RPI	+5% pa
Standard Life	Diversified Growth Fund	6 month LIBOR Rate	+5% pa

¹All Stocks Credit ²Total Returns Bond

Summary of Investment Assets at 31 March 2017

The market value of the assets managed by each fund manager as at 31 March 2017 is shown below. A small part of the fund is invested internally – this is cash held for short term cash flow reasons or pending allocation to one of the investment managers.

Manager	Asset Class	Market Value £'000	Total Assets by Market Value (%)
Fidelity	Global Equities Fund	202,070	25.42
	Other Managed Funds (Emerging Market equities)	24,735	3.11
	Cash and other investment balances	4,537	0.57
ColumbiaThreadneedle	Unitised Insurance Policy (Global equities)	159,598	20.07
Schroders	Other Managed Funds (Global equities)	118,567	14.91
Henderson	Other Managed Funds (Bonds)	99,279	12.49
UBS	Property Unit Trusts	29,901	3.76
	Cash and other investment balances	2,540	0.32
London CIV - Pyrford	Other Managed Funds (DGF)	79,548	10.01
Standard Life	Other Managed Funds (DGF)	69,954	8.80
In house	Cash	4,140	0.52
London CIV	Regulatory Capital	150	0.02
TOTAL		795,019	100.00

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Asset Allocation

The ten largest **holdings** of the Pension Fund were as follows:

Name	Value as at 31 March 2017 £'000	% of Total Net Assets as at 31 March 2017
Columbia Threadneedle TPN Global Equity Fund	159,598	20.07
Schroder Life QEP Global Active Value Fund	118,567	14.91
London CIV - Pyrford Global Total Return (Sterling)	79,548	10.01
Standard Life Global Asset Return Strategies (GARS)	69,954	8.80
Henderson All Stocks Credit Fund	62,968	7.92
Henderson All Stocks Total Return Bond	36,311	4.57
Fidelity Select Emerging Markets Fund	24,735	3.11
UBS Triton Property Unit Trust	18,786	2.36
Standard Life Inv Plan Property Fund	8,685	1.09
Apple Inc	5,237	0.66

The nine largest holdings are in the pooled funds of the seven fund managers.

The 10 largest directly held **equity holdings** of the Pension Fund were as follows:

Name	Value as at 31 March 2017 £000	% of Total Net Assets as at 31 March 2017
Apple Inc	5,237	0.66
Amazon	2,481	0.31
Facebook Inc	2,340	0.29
Berkshire Hathaway	2,305	0.29
Microsoft Corp	2,170	0.27
Procter & Gamble	2,003	0.25
Amgen Inc.	1,929	0.24
Philip Morris International	1,875	0.24
Schlumberger Ltd	1,835	0.23
Home Depot	1,773	0.22

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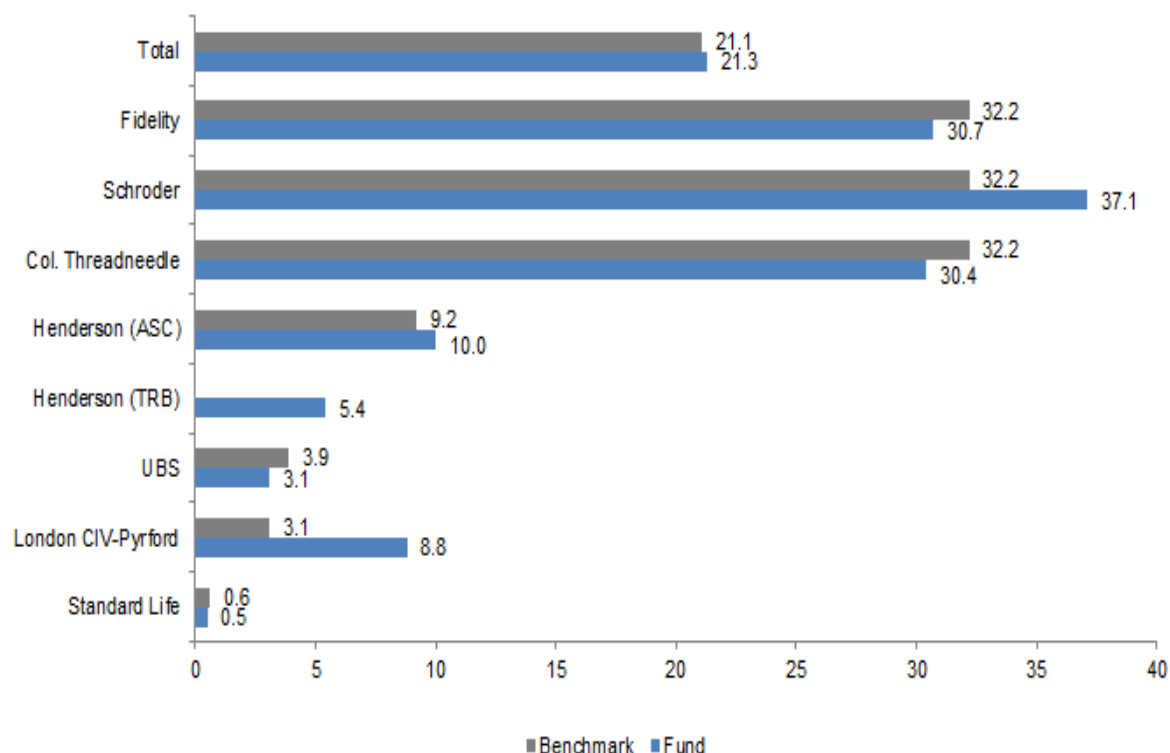
Pension Fund Performance 2016 - 2017

The table below sets out the quarter by quarter results for the Fund in 2016-17. The total Fund return for the year was 21.34%, compared to the benchmark return of 21.09%. The relative return represents an over performance of 0.25%.

2016-17	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Annual Performance
	April to June	July to Sept.	Oct. to Dec.	Jan. to March	
	2016 %	2016 %	2016 %	2017 %	2016-17 %
Fund Return	5.20	6.69	3.64	4.32	21.34
Benchmark Return	5.94	5.82	3.85	4.01	21.09
Relative Return	(0.74)	0.87	(0.21)	0.31	0.25

Each of the fund manager's performance, and their respective benchmarks for the year 2016-2017, are shown in the graph below.

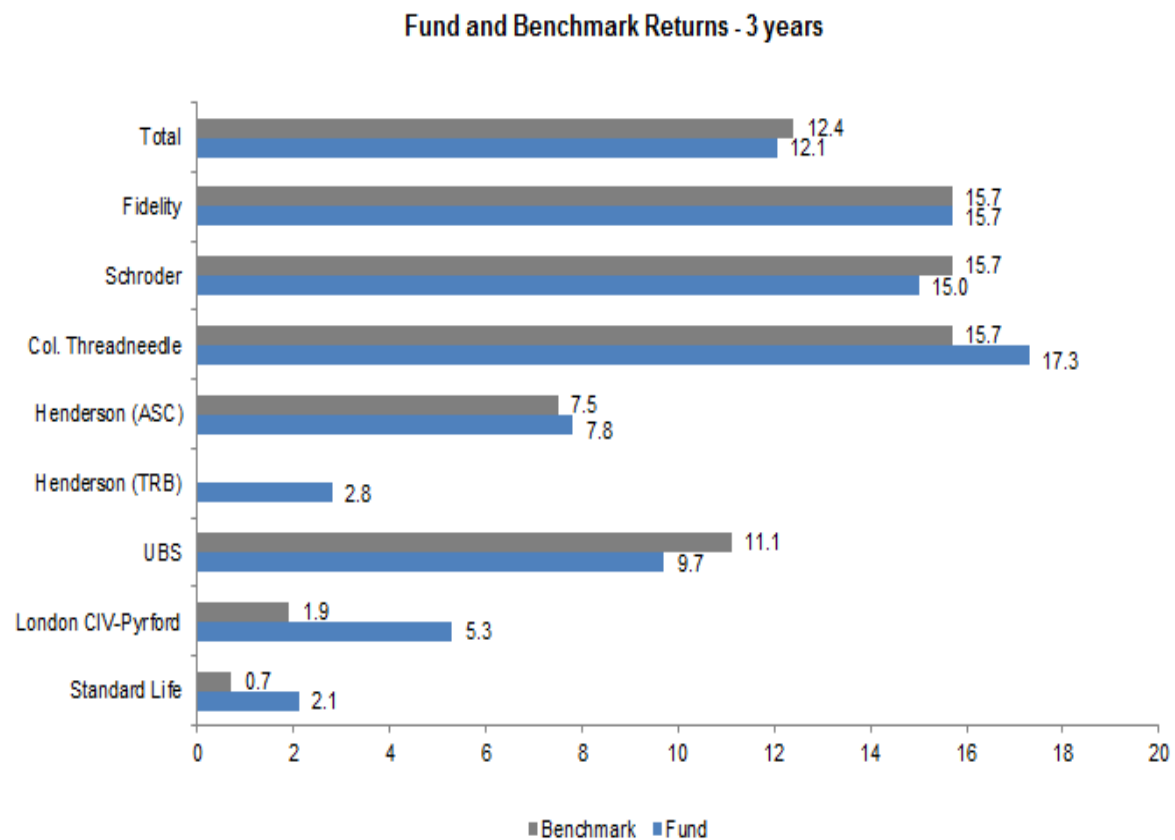
Fund and Benchmark Returns- 1 year



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Pension Fund Performance 2014 - 2017

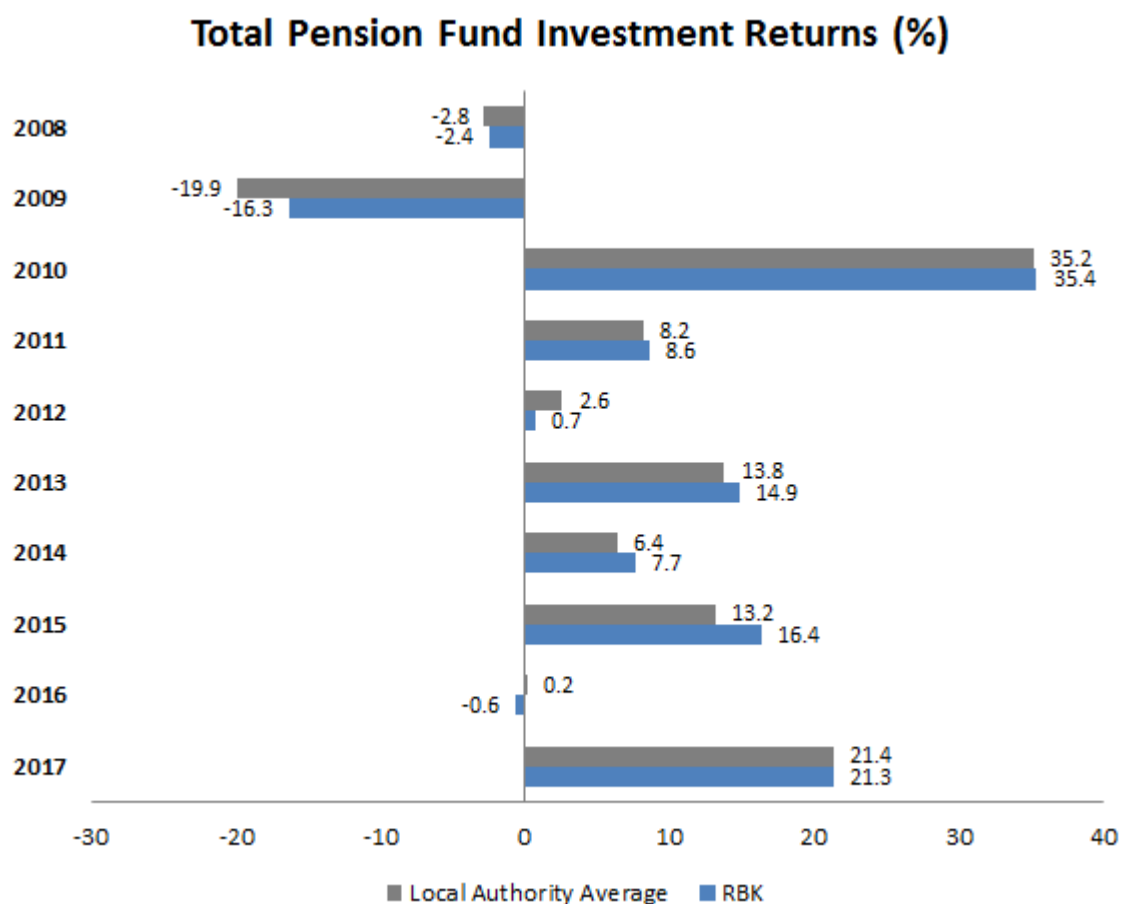
Each of the fund manager's performance, and their respective benchmarks over the latest rolling three year period, is shown in the graph below.



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Investment Returns

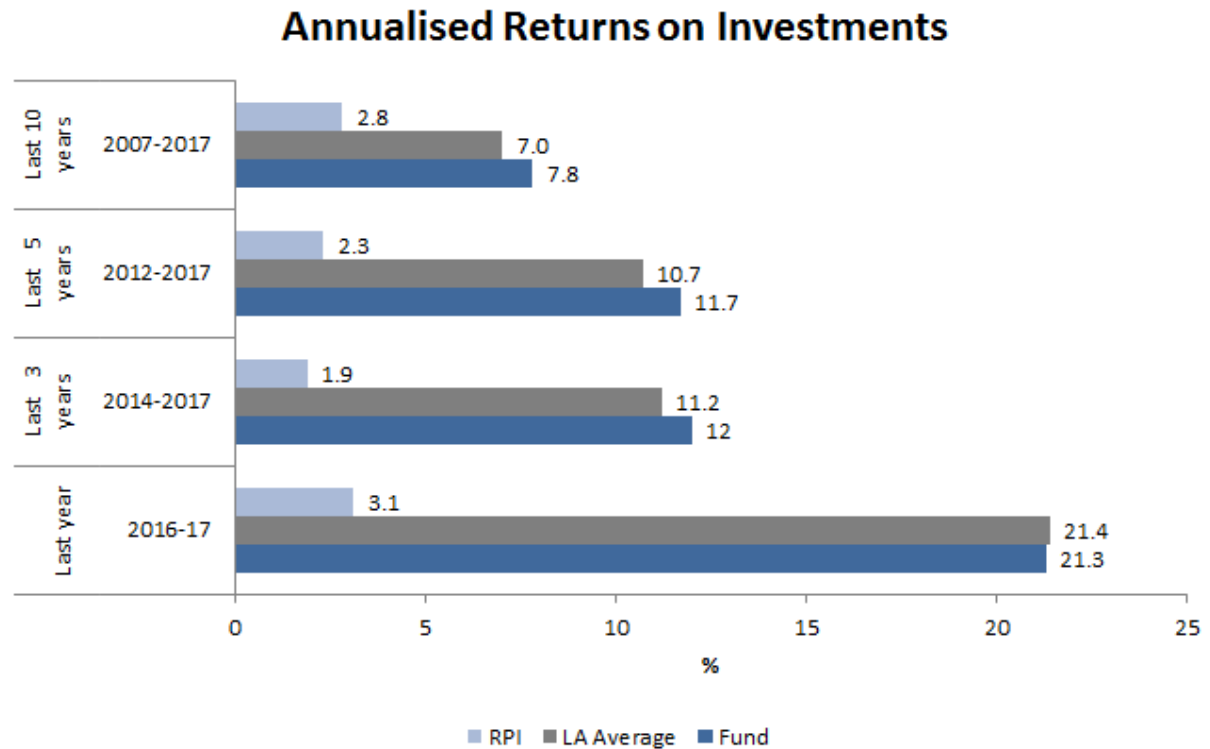
The chart below compares the Fund's performance over the last ten years with the Local Authority Peer Group Average. The annual returns take into account the change in market value of the Fund's investments together with the income they have earned over the period.



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Annualised Investment Returns

The chart below shows the Fund's performance compared to the local authority average, and price inflation (Retail Price Index - RPI) over various durations.



ADMINISTRATION AND BENEFITS

Scheme Administration

Sutton and Kingston formed a shared service with staff transferring to London Borough of Sutton on 1 April 2016. The shared administration team is based within the Civic officers and is responsible for the administration of each respective Council Local Government Pension Scheme (LGPS) including the administration of the both Council's additional voluntary contribution arrangements¹. The service also administers the LGPS on behalf of Sutton Housing Partnership, Carshalton College, Kingston University and other scheme employers including academy schools, contractors. The shared service is now administering the LGPS on behalf of in excess of 100 scheme employers.

There is continuing demand for retirements, transfers and refunds from all members across both Councils and other scheme employers. In addition, there is increasing demand for actuarial assessment for staff being TUPE transferred into shared services, schools converting to academies or other commissioning arrangements and creates additional administrative work within the team.

Following the introduction of the revised Career Average Revalued Earnings (CARE) scheme from 1 April 2014, it now means that pension is accrued each year based on salary earned and then revalued. There is an underpin for members born before 1 April 1956 to ensure that their benefits are no less than they would have received under the 2008 Scheme.

2015/16 benefit statements were issued to all members by September 2016 which missed the deadline of 31 August 2016, the delay was due to system administration issues and was reported to the Pension Regulator. The end of year process 31 March 2017 is currently being finalised to enable all 2016/17 benefit statements to be issued to members for 31 August 2017.

It is critical that the employer data is correct on the annual returns as the CARE pension will be established using the actual pensionable pay provided each scheme year. Extensive communication and engagement continues to take place with the scheme employers to support them with this process.

In July 2017, the Pension Committee agreed a pension administration strategy that sets out the expectations of both the shared pension administration team and scheme employers. It includes a schedule of charges that under Regulation 70 of the 2013 Local Government Pension Scheme that include charging for late and/or poor data quality of annual returns. The strategy will be shared with all scheme employers and due to be implemented from October 2017.

¹ Aviva is the AVC provider for Royal Borough of Kingston. The Equitable Life Assurance Society scheme is closed to new members.

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The annual revaluation of employee contribution bands - being based on actual pensionable pay was implemented by the Borough payroll provider and other off payroll employers in April 2017. Employee contributions are re assessed each month based on the actual (contractual) pay received in that period.

The Staff Pensions web page includes a link to the national “LGPS2014” website www.lgps2014.org.

Kingston Pension Fund Triennial Valuation as at 31 March 2016

The Actuary and officers agreed the whole fund final assumptions and result as at 31 March 2016. In December 2016, all scheme employers were invited to a presentation from Hymans Robertson, the scheme actuaries presented an overview of the valuation. The results for individual employers, detailing their contribution rates for the three years 2017/18 to 2019/20 were sent to employers in January 2017.

Fund Membership 5 Year Analysis

Year	2012/13	2013/14	2014/15	2015/16	2016/17
Active	4,056	4,385	4,479	5,565	5,900
Deferred	4,169	4,483	4,683	4,836	5,043
Pensioners and Dependents	3,513	3,673	3,731	4,039	4,195
Early Retirement (Efficiency/Redundancy)	32	11	30	40	30
Ill Health Retirement	2	3	4	3	4

Communications

There is an extensive website for Scheme Administration which contains the following:

- A link to the 2014 Scheme website to calculate the cost of buying extra pension by paying Additional Pension Contributions and produce an application form.
- Information about Additional Voluntary Contributions with Aviva.
- Forms for Expression of Wish and nominating a co-habiting partner
- Opt in and opt out forms
- Links to other relevant websites

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Technology

The administration system used by the team has a self serve module for scheme employers that has been rolled out to the majority of scheme employers who use third party payroll providers. It allows them to view their membership data, make certain changes and enable them to run retirement estimates. UPM Self Serve (Pensions On Line) for active members roll out is due to start August 2017 within Kingston and Sutton Council. The roll out will continue afterwards to all scheme employers.

Dispute Resolution

From the day a person starts a job with an employer, to the day when benefits or dependant's benefits are paid, the employer and the Pension Scheme administering authority have to make decisions under the Pension Scheme rules that affect the member and their dependents.

If the member is not satisfied with any decision affecting them made in relation to the Scheme, they are able to access the Council's Internal Dispute Resolution Procedure (IDRP). If the member is still dissatisfied, they can take their case to the Pensions Ombudsman.

IDRP guidance including links to other information can be found on the RBK website <http://www.kingston.gov.uk/pensions>. There are also links to related websites including the 2014 Scheme.

Pension Fund Panel

The Pension Fund Panel meets six times a year. The responsibilities of the Panel include:

- Setting the investment policy for the Fund;
- Appointing investment managers, advisers and custodians;
- Reviewing the performance of the investment managers and the investments held by the Fund; and
- Corporate governance policy.

In addition, on a three yearly cycle the Panel formally reviews the Fund's investment management arrangements. However, if circumstances dictate, the arrangements may be reviewed at any time.

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The Council Members Serving on the Panel during 2016-2017:

Councillor Eric Humphrey (Chair)
Councillor Roy Arora (Vice Chair)
Councillor Mike Head
Councillor John Ayles
Councillor Thay Thayalan

Observer Members:

Janis Brumwell	(Kingston College)
Lesley Diston	(Kingston University)
Majid Mafi	(Staff Representative)
Chris Coke	(Association of Retired Council Officers (ARCO))

Co-opted Member for Independent Advice:

Matthew Lambe

Management Contacts

Management and administration of the Pension Fund is delegated to the Director of Finance. Pension Services is responsible for the day-to-day administration of the Pension Fund. The Strategy Team within the Council's Finance Department has responsibility for the investment of the Pension Fund. The Head of Finance - Strategy & Accounting is responsible for the production of the annual report.

Director of Finance	position vacant
Head of Finance (Interim Section 151 Officer)	Jeremy Randall
Sutton & Kingston Shared Pensions Service	Sarah Spence (Interim Shared Service Manager)

Scheme Administration Contacts

If you have any questions about Scheme Administration you should contact the Pensions Team. They can also supply you with copies of any of the Scheme's official documents (for example, the Pensions Charter or Scheme booklet) if you do not have access to the internet.

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How To Contact Us

If you want to write to us, this is our address

Sutton & Kingston Shared Pension Service
Sutton Civic Offices,
St Nicholas Way,
Sutton, SM1 1EA

Email us: skpensions@sutton.gov.uk www.kingston.gov.uk/pensions

We would prefer that you contact us by e-mail but if you do not have access to e-mail you can telephone a member of the Pensions Team on 0208 770 5290.

Fund Managers and Advisers Contacts

Name:	Address:	Website:
<i>Investment Managers</i>		
UBS Global Asset Management	21 Lombard Street London EC3V 9AH	www.ubs.com
Fidelity Investment Management	25 Cannon Street London EC4M 5TA	www.fil.com
Henderson Global Investors	201 Bishopsgate London ECM 3AE	www.henderson.com
Schroders Investment Management Ltd	31 Gresham Street London EC2V 7QA	www.schroders.com
ColumbiaThreadneedle Investments	60 St Mary's Axe London EC3A 8JQ	www.columbiathreadneedle.com
Standard Life Investments	30 St Mary's Axe London EC3A 8EP	www.standardlifeinvestments.com
Pyrford International Ltd	95 Wigmore Street London W1U 1HH	www.pyrford.co.uk
<i>Custodian</i>		
JP Morgan Chase Bank	25 Bank Street London, E14 5JP	www.jpmorgan.com

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Investment Consultant		
Aon Hewitt	10 Devonshire Sq. London EC2M 4YP	www.aonhewitt.com
Fund Actuary		
Hymans Robertson LLP	20 Waterloo Street Glasgow G2 6DB	www.hymans.co.uk
Auditor		
Grant Thornton UK LLP	Melton Street London NW1 2EP	www.grant-thornton.co.uk
AVC Provider (current)		
Aviva	PO Box 520 Norwich NR1 3WG	www.aviva.co.uk
AVC Provider (previous provider - now closed to new members)		
Equitable Life Assurance Society	PO Box 177 Walton Street Aylesbury Buckinghamshire HP21 7YH	www.equitable.co.uk
Legal Services		
South London Legal Partnership	DX 31515 Royal Borough of Kingston Upon Thames Guildhall 2 High Street Kingston Upon Thames Surrey KT1 1EU	
Bankers		
Lloyds Bank	City Office, PO Box 72, Bailey Drive, Gillingham, Business Park, Kent, ME8 OLS	
Independent Performance Measurers		

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PIRC Ltd	Exchange Tower 8th Floor 2 Harbour Exchange London E14 9GE	www.pirc.co.uk
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APPENDICES

The following documents will also be made accessible via the following link:

www.kingston.gov.uk/pensions

- Auditors Report 2016-17
- Pension Fund Statement of Accounts 2016-17
- Investment Strategy Statement
- Governance Compliance Statement
- Actuarial Valuation Report as at 31 March 2016
- Funding Strategy Statement
- Communications Policy Statement

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APPENDIX 1: Auditors Report 2016-17

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BOROUGH OF KINGSTON UPON THAMES

We have audited the pension fund financial statements of Royal Borough of Kingston Upon Thames (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2016/17.

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

Respective responsibilities of the Interim S.151 Officer and Head of Finance Strategy and Accounting and auditor

As explained more fully in the Statement of Responsibilities, the Interim S.151 Officer and Head of Finance Strategy and Accounting is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Interim S.151 Officer and Head of Finance Strategy and Accounting; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or

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materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

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

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

27 September 2017

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APPENDIX 2: Pension Fund Statement of Accounts 2016-17

Presented to Pension Fund Panel meeting on 14 September 2017

Pension Fund – Explanatory Foreword 2016/17

The following sets out the statutory accounts of the Royal Borough of Kingston upon Thames Pension Fund and covers the period that runs from 1 April 2016 to 31 March 2017. The objective of the Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the fund. The accounts for the Pension Fund are audited separately from the Council's main accounts.

The Pension Fund is administered according to the Local Government Pension Scheme (LGPS) Regulations and covers employees of the Council and a number of other bodies – these are listed in Note 1 to the accounts.

The accounts of the Pension Fund are maintained separately from the Council's main accounts and consist of the Fund Account, Net Assets Statement and notes. The Pension Fund has been built up over many years by contributions from the member employers and participating employees to provide pensions and lump sum payments for members of the fund upon reaching retirement age, and other benefits as specified. Every three years the appointed actuary values the fund's assets to assess whether there are sufficient monies available to meet its current pension's liabilities. Each employer's contribution to the fund is based on these triennial valuations, whilst members pay a fixed percentage dependent on their earnings. The latest triennial valuation was carried out as at 31 March 2016. The results of this were published on 31 March 2017, and will be reflected in employer contributions from 1 April 2017. Details of the previous valuation as at 31 March 2013, used in this set of accounts, can be seen in Note 18.

The Council is responsible for the investment of the assets of the Fund and agreeing the investment policy within the regulations covering Local Authority Pension schemes. These duties are carried out by a panel of Councillors, the Pension Fund Panel, who are advised by the Interim S151 Officer and Head of Finance Strategy and Accounting, and the Fund's Professional Investment Advisers Aon Hewitt. The Pension Fund Panel also took professional investment advice during the year.

The value of the Fund's investment assets increased significantly during the 2016/17 financial year, from £650m to £795m. The main reasons for the increase are the performance of the Fund's investments, which was driven by two underlying factors - strong upward movements in both equity and bond markets generally, and the impact of the fall in value of sterling, which helps the Fund as a significant proportion of its assets are held in currencies other than sterling. The Fund is working with its investment advisor to identify approaches to protect some of these gains should markets move differently in future years

The arrangements regarding Teachers pensions and NHS Pensions are different, as they are not part of the RBK Pension Fund. Teachers' pensions are within a national scheme overseen by the Teachers' Pensions Agency which is responsible for administering and paying teachers' pensions. NHS Pensions are also within a national scheme overseen by the NHS Business Services Authority.

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The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The statutory Chief Finance Officer was the Interim S151 Officer and Head of Finance Strategy and Accounting.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- approve the Statement of Accounts.

Responsibilities of the Interim S151 Officer and Head of Finance Strategy and Accounting

The Interim S151 Officer and Head of Finance Strategy and Accounting is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Interim S151 Officer and Head of Finance Strategy and Accounting has:

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

The Interim S151 Officer and Head of Finance Strategy and Accounting has also:

- kept proper accounting records which were up to date, and taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE INTERIM S151 OFFICER AND HEAD OF FINANCE STRATEGY AND ACCOUNTING

I certify that the Pension Fund Statement of Accounts set out on pages 117 to 146 present a true and fair view of the financial position of the Pension Fund as at 31 March 2017 and its income and expenditure for the year then ended.

Jeremy Randall CPFA
Interim S.151 Officer and Head of Finance Strategy and Accounting

26 September 2017

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NET ASSETS STATEMENT

Restated 31 March 2016 £000	Note	31 March 2017 £000
650,218 Investment Assets:	14	795,019
650,218 Total net investments		795,019
1,282 Current Assets	20	1,474
(4,388) Current Liabilities	21	(4,740)
Net Assets of the fund available to fund benefits at the 647,112 end of the reporting period		791,753

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FUND ACCOUNT

Restated 2015/16 £000s	Note	2016/17 £000s
Dealings with members, employers and others directly involved in the Fund		
(35,797) Contributions:	7	(37,948)
(1,651) Transfers in from other pensions funds	8	(1,540)
<u>(37,448)</u>		<u>(39,488)</u>
28,706 Benefits:	9	28,721
2,270 Payments to and on account of leavers:	10	2,492
<u>30,976</u>		<u>31,213</u>
(6,472) Net (additions)/withdrawals from Dealings with Members		(8,275)
3,395 Management expenses	11	4,295
(3,077) Net (additions)/withdrawals including fund management expenses		(3,980)
Returns on Investments		
(4,088) Investment Income	12	(7,193)
44 Taxes on Income	13	48
6,320 (Profit) loss on disposal of investments and changes in the market value of investments	14a	(133,516)
2,276 Net Return on Investments		(140,661)
(801) Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(144,641)
(646,311) Opening Net Assets of the Scheme		(647,112)
(647,112) Closing Net Assets of the Scheme		(791,753)

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NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

a). General

The Royal Borough of Kingston upon Thames Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Kingston upon Thames. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Royal Borough of Kingston upon Thames and the admitted and scheduled bodies in the Pension Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2015 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index (CPI).

The Fund is governed by:

- the Public Services Pensions Act 2013
- the LGPS Regulations 2013 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

b). Funding

The Pension Fund is financed by contributions from employees, the Council, admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year end 31 March 2017. Employers also pay contributions into the Fund based on triennial funding valuations. The last valuation was at 31 March 2013.

In 2016/17, employer contribution rates ranged from 15.5% to 32% of pensionable pay. Employer contribution rates payable from 1 April 2017 were set by the triennial valuation as at 31 March 2016, the results of which were published on 31 March 2017. The Fund excludes teachers, who have a separate Teachers Pensions Scheme managed by the Teachers Pensions Agency. The Fund also excludes those contributing to the NHS Pensions Scheme.

c). Membership

Although scheme employers are required to "auto enrol" employees into the LGPS, membership of the LGPS is voluntary and employees are free to choose whether to remain in the scheme or to "opt out" and make their own personal arrangements outside the scheme. Organisations participating in the Royal Borough of Kingston Pension Fund include:

- Scheduled bodies which are local authorities or other 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. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the public sector. This includes designated admitted bodies.

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Member bodies @ 31 March 2017 were as follows:

Scheduled bodies	
Royal Borough of Kingston Upon Thames	Southborough High School
Kingston College	St Agatha's School
Kingston University	Tiffin Girls School
Castle Hill Primary School	Tiffin School
Coombe Boys School	Tolworth Girls School
Coombe Girls School	Kingston Academy
Hollyfield School	Kingston Community School
Holy Cross School	Bedelsford School
Knollmead Primary School	Dysart School
Latchmere School	St Philips School
Richard Challoner School	
Admitted bodies	
Balance CIC	London Grid for Learning
Hillcroft College	Your Healthcare
Kingston & Sutton Educational Partnership Limited	Engie
Admitted bodies (Designated bodies)	
Achieving for Children CIC	

The following Admitted Bodies left the fund during the year ended 31 March 2017:
Kingston Grammar School, Compass Catering.

Kingston Town Centre Management left the fund on 31 December 2015.

Three schools, Bedelsford, Dysart and St Philips, previously under the heading of the Royal Borough of Kingston upon Thames (table above) are now listed as separate member bodies, as they converted to academy status on 01 April 2016

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The following table summarises the membership numbers of the scheme:

31 March 2016		31 March 2017
28	Number of Employers with active members	28
Active Members (Employees)		
2,988	Royal Borough of Kingston upon Thames	2,988
1,867	Other scheduled bodies	2,229
710	Admitted bodies	683
5,565		5,900
Deferred Members		
3,323	Royal Borough of Kingston upon Thames	3,412
1,381	Other scheduled bodies	1,449
132	Admitted bodies	182
4,836		5,043
Retired Members & Dependents		
3,160	Royal Borough of Kingston upon Thames	3,239
812	Other scheduled bodies	861
67	Admitted bodies	95
4,039		4,195
14,440	Total	15,138

d). Pension Fund Panel

The Council has delegated oversight of the Fund to the Pension Fund Panel who make recommendations on the investment policy most suitable to meet the liabilities of the Fund. The Panel is made up of five Members of the Council each of whom has voting rights.

The Panel has authority to make investment recommendations. The Panel considers the views of the former Director of Finance and now the InterimS151 Officer and Head of Finance Strategy and Accounting and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary. The implementation of these decisions was delegated to the former Director of Finance.

e). Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2013 requires administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The Panel approved its Investment Strategy Statement on 22 February 2017 which can be seen on the link below. The Statement shows the Authority's compliance with the Myners principles of investment management.

https://www.kingston.gov.uk/download/downloads/id/299/investment_strategy_statement.pdf

The Panel has delegated the management of the Fund's investments to external investment managers (see note 14) appointed in accordance with regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

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2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2016/17 financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not account for obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

Investment assets for 2015-16 have been re-stated to reflect revised treatment of embedded management expenses and transaction costs. These costs do not alter the valuation of assets at the end of the financial year, but are accounted for in Note 11 Management Expenses, and in the change in market value of these assets in Note 14a.

Accruals Concept

Income and expenditure has been included in the accounts on an accruals basis. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2017 and are determined as follows:

- all investments priced within the Stock Exchange Electronic Trading Service (SETS), a Recognised or Designated Investment Exchange or Over-The-Counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.
- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- Investments held in foreign currency have been valued on the relevant basis and translated into sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into sterling at the exchange rate ruling at the time of transaction.

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Treatment of interest on property developments

The Fund was not involved in any property developments during the year.

Transfer Values

The pending bulk transfer payable to London Borough of Croydon in respect of the Household Refuse and Recycling Centre service, for 28 staff, estimated at £0.4m has been provided for in the accounts. This was a small group of low paid staff who joined the LGPS between July 2013 and November 2015 so had short periods of pension accrual.

As at 31 March 2017 there were two other pending bulk transfers, both receivable, from the London Borough of Sutton, as follows:

- In respect of the transfer of the Shared Environment Service, for 73 staff.
- In respect of the transfer of the Shared HR Service, for 46 staff.

At the date of preparing these accounts, estimates of the transfers had not been confirmed, and estimated values have not been included. The Funds have consciously delayed settlement for these two transfers, because on 1 April 2017, 79 staff transferred to the London Borough of Sutton in respect of the Shared Finance service. It is intended that the bulk transfer for this will be aligned with that for the transfers in the opposite direction and netted off to minimise the need for both funds to liquidate investment assets (and hence avoid unnecessary costs).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from members and the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Augmentation is the cost of additional membership awarded by an employer. This was applied only by Kingston University who awarded up to two additional years membership to employees who leave under their early retirement scheme (£72,616 in 2016/17, £141,292 in 2015/16).

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b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid which is normally when the member liability is accepted or discharged except when they are significant and material. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis.

c) Investment income

• Interest income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

• Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset

• Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the financial year is disclosed in the net assets statement as a current financial asset.

• Movement in the net market value of investments

Changes in the net market value of investments (including investments properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

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Fund account – expense items

d) Benefits payable

Pensions and lump sum benefits 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 assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Interest 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.

Investment income is shown gross of irrecoverable taxes deducted, which in 2016/17 totalled £47,989. The Fund is reimbursed VAT by HM Revenue and Customs, and the accounts are shown exclusive of VAT.

f) Management Expenses

Pension Fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

- **Administrative Expenses**

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund

- **Oversight and Governance Costs**

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management and accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The cost of obtaining investment advice from external consultants is included in investment management expenses

- **Investment management expenses**

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of

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the investments under their management and therefore increase or decrease as the value of these investments change.

Net Assets Statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the fund.

h) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (note 19).

i) Additional Voluntary Contributions

The Royal Borough of Kingston upon Thames Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

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4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies as set out in Note 3 above, the council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is within accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised at Note 18.

This estimate is subject to significant variances based on changes to the underlying assumptions.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year, as follows:

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions, illustrated in Note 19, depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied.

The actuarial assumptions are largely prescribed at any point and reflect the market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment); can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude.

There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.

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The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions for year ended 31 March 2017	Approximate % increase to Employer liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10%	115
1 year increase in member life expectancy	3%	34
0.5% increase in the salary increase rate	2%	22
0.5% increase in the pension increase rate	8%	90

6. EVENTS AFTER THE REPORTING PERIOD END

The Statement of Accounts was authorised for issue by the former Director of Finance on 31 May 2017. At this date there was one non-adjusting event to report:

The latest value of the investments of the Fund show an increase from £790.88m to £798.90m (as valued at 30 June 2017). This represents a change of £8.02m or 1.01%.

7. CONTRIBUTIONS RECEIVABLE

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees contributions.

2015/16 £000s	2016/17 £000s
From Employers:	
Royal Borough of Kingston	
(6,230) - Normal Contributions	(5,884)
(866) - Capitalised Cost of early retirements	(709)
(6,073) - Deficit recovery Contributions	(6,719)
(11,825) Scheduled Bodies	(13,757)
(1,456) Admitted Bodies	(1,302)
(1,793) Admitted Bodies (Designated Bodies)	(1,801)
<u>(28,243)</u>	<u>(30,172)</u>
Contributions from Members:	
Royal Borough of Kingston	
(2,716) - Normal Contributions	(2,596)
(74) - Additional Contributions	(141)
(3,419) Scheduled Bodies	(3,758)
(534) Admitted Bodies	(468)
(811) Admitted Bodies (Designated Bodies)	(813)
<u>(7,554)</u>	<u>(7,776)</u>
<u>(35,797)</u>	<u>(37,948)</u>

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8. TRANSFERS IN FROM OTHER PENSION FUNDS

2015/16 £000s	2016/17 £000s
0 Group transfers	0
(1,651) Individual transfers	(1,540)
(1,651)	(1,540)

9. BENEFITS PAYABLE

The tables below show a breakdown of the total amount of benefits payable by category and by authority:

2015/16 £000s	2016/17 £000s
22,563 Pensions	23,554
5,689 Commutation and Lump sum retirement benefits	4,581
454 Lump sum death benefits	586
28,706	28,721

2015/16 £000s	2016/17 £000s
20,886 Administering authority	20,134
6,770 Scheduled bodies	7,270
1,050 Admitted bodies	1,317
28,706	28,721

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015/16 £000s	2016/17 £000s
105 Refunds to members leaving service	161
171 Group transfers	400
1,994 Individual transfers	1,931
2,270	2,492

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11. MANAGEMENT EXPENSES

2015/16 £000s	2016/17 £000s
699 Administration Expenses	565
188 Oversight and Governance	206
25 Audit fees	21
2,483 Investment Management Expenses & transaction costs	3,503
<u>3,395</u>	<u>4,295</u>

11a. INVESTMENT MANAGEMENT EXPENSES

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS.

2015/16 £000s	2016/17 £000s
2,287 Management Fees	3,272
19 Performance Fees	4
44 Custody Fees	41
133 Transaction Costs	186
<u>2,483</u>	<u>3,503</u>

The increase in cost of investment management expenses since 2015/16 is mainly due to the significant increase in the value of assets under management during 2016/17.

12. INVESTMENT INCOME

2015/16 £000s	2016/17 £000s
(3,305) Equity Dividends	(4,291)
(772) Pooled Investments	(2,905)
(11) Interest on Cash Deposits	3
<u>(4,088) Total before Taxes</u>	<u>(7,193)</u>

13. TAXES ON INCOME

2015/16 £000s	2016/17 £000s
43 Withholding tax - equities	47
1 Withholding tax - pooled	1
<u>44 Total before Taxes</u>	<u>48</u>

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14. INVESTMENT MANAGEMENT ARRANGEMENTS AND ANALYSIS OF INVESTMENTS

INVESTMENT MANAGEMENT ARRANGEMENTS

The Fund is managed by seven investment managers. The Fund's longest standing manager is UBS who retain approximately 4.08% of the Fund in a property portfolio. In September 2009, four additional managers were appointed who manage the Fund's equity and bond portfolios. In January 2014, a further two managers were appointed to manage Diversified Growth Funds in line with a revised investment strategy.

The Government is requiring LGPS funds to work towards pooling the bulk of their investment assets to reduce investment management costs and increase funds' flexibility to access different asset classes. The RBK Fund has joined the London Collective Investment Vehicle (CIV). On 16 June 2016 the fund's investments in the Pyrford Diversified Growth Fund were transferred 'in specie' to the CIV. There is no change in the underlying investment management of these assets

All of the investment managers have written agreements with the Council in respect of the services they provide. The Financial Services Authority also regulates them in carrying on investment management business. They are entitled, at their discretion, to manage the assets of the Scheme by buying and selling investments in order to seek to achieve their specific objectives within the agreed investment guidelines and regulations. When choosing investments, they must have regard to the need for diversification of investments and the overall suitability of those investments to the Scheme. In managing the portfolio, they aim to attain a level of performance based on a benchmark return.

The management fees charged by the fund managers are calculated on a sliding scale, based on the value of the funds managed at the end of each quarterly period.

Following the publication of the 2016 Actuarial Valuation Report a review of the fund's Investment Strategy is currently being undertaken

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14. INVESTMENTS

Restated Market Value at 31 March 2016 £000	Analysis of Investments	Market Value at 31 March 2017 £000
<i>Equities Quoted:</i>		
29,013 Consumer		33,363
19,222 Manufacturing		22,250
13,202 Energy & Utilities		17,748
23,980 Financial Institutions		35,771
20,305 Health & Care		24,137
31,258 Information Technology		40,766
20,225 Other		28,035
<u>157,205</u>		<u>202,070</u>
UK Unquoted:		
<u>0</u> Financial Institutions		<u>0</u>
<u>0</u>		<u>0</u>
Pooled Investment Vehicles:		
29,778 Property		29,901
227,403 Unitised Insurance Policies		283,612
229,125 Other Managed Funds		268,069
<u>486,306</u>		<u>581,582</u>
Other Investment Balances		
<u>150</u> London CIV		<u>150</u>
643,661 Total of Investments		783,802
976 Accrued Income		1,201
(565) Outstanding Transactions		(513)
<u>644,072</u>		<u>784,490</u>
644,072 Total Investment Assets		784,490
Cash held by Fund Managers:		
1,596 Sterling		2,339
2,880 Foreign Currency		4,050
1,670 Cash held internally by Kingston Pension Fund		4,140
<u>6,146</u> Total Cash Deposits		<u>10,529</u>
650,218 Net Investment Assets		795,019

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14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	Restated Value 31 March 2016	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2017
	£000	£000	£000	£000	£000
2016-17					
Equities	157,205	100,402	(98,367)	42,830	202,070
Managed and Unitised Funds	486,306	150,550	(145,592)	90,318	581,582
Currency Contracts/Futures	0			0	0
Outstanding Traded Securities	(565)			52	(513)
London CIV	150			0	150
	643,096	250,952	(243,959)	133,200	783,289
Cash and cash equivalents	6,146			316	10,529
Investment income due	976				1,201
Totals	650,218	250,952	(243,959)	133,516	795,019

	Value 31 March 2015	Purchases at Cost	Sales Proceeds	Change in Market Value	Restated Value at 31 March 2016
	£000	£000	£000	£000	£000
2015-16					
Equities	158,577	71,140	(67,365)	(5,147)	157,205
Managed and Unitised Funds	476,060	11,695	(501)	(948)	486,306
Currency Contracts/Futures	0	42	(41)	(1)	0
Outstanding Traded Securities	13	0	0	(578)	(565)
London CIV	0	150	0	0	150
	634,650	83,027	(67,907)	(6,674)	643,096
Cash and cash equivalents	5,435			354	6,146
Investment income due	777				976
Totals	640,862			(6,320)	650,218

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14b. ANALYSIS OF INVESTMENTS

Restated Market Value at 31 March 2016 £000		Market Value at 31 March 2017 £000
	<i>Equities</i>	
	UK	
150	CIV	150
173,784	Quoted	226,805
	Overseas	
21,912	Quoted	23,864
<u>195,846</u>		<u>250,819</u>
	Pooled funds - additional analysis	
	UK	
88,426	Fixed income unit trust	99,279
135,447	Other managed funds	171,865
	Overseas	
122,398	Fixed income	159,598
69,575	Hedge funds overseas equity	69,954
<u>415,846</u>		<u>500,696</u>
<u>29,778</u>	Pooled property investments	<u>29,901</u>
8,337	Cash deposits	12,915
976	Investment income due	1,201
(565)	Outstanding transactions	(513)
<u>8,748</u>		<u>13,603</u>
<u>650,218</u>	Net Investment Assets	<u>795,019</u>

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14c. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of the investment assets under the management of each fund manager as at 31 March 2017 is shown below. A small part of the fund is invested internally – this is cash held for short term cash flow reasons, or pending allocation to one of the investment managers.

Restated 2015/16 £000s	%		2016/17 £000s	%
1,670	0.26	Internally Invested Funds	4,140	0.52
31,482	4.83	UBS Global Asset Management	32,442	4.08
176,967	27.21	Fidelity Pensions Management	231,341	29.10
122,398	18.79	Threadneedle Asset Management	159,598	20.07
86,511	13.28	Schroder Investment Management	118,567	14.91
88,426	13.58	Henderson Global Investors	99,279	12.49
73,039	11.27	Pyrford International *	79,548	10.01
69,575	10.76	Standard Life	69,954	8.80
150	0.02	London CIV	150	0.02
650,218	100.00		795,019	100.00

* Managed via London CIV from 16 June 2016

In addition to individual performance benchmarks for each fund manager, the Pension Fund's overall performance is analysed relative to the Pensions and Investments Research Consultants Ltd (PIRC) Local Authority Universe which is representative of the UK Local Authority Pension Fund peer group. During 2016/17, the Pension Fund Panel reviewed in detail the performance of the investment managers at two "all day" meetings. At these two meetings the managers presented to the Panel to account for their performance against their respective set mandate benchmarks. In addition, at its four quarterly meetings the Panel monitored the activity and performance of the various fund managers. Fund investments performance showed a one year positive return of 21.3% compared with the average return for the PIRC Local Authority Universe of 21.4%. The annualised return over three years for the fund was 12.0%, a relative outperformance of 0.7% against the WM Local Authority Universe average return of 11.2%. The market value of the Fund's investment assets increased from £650.2m as at 31 March 2016 to £795.0m as at 31 March 2017.

Major investments

The following investments represent more than 5% of the net investment assets of the scheme: (£795.019m)

Restated Market Value 31 March 2016 £000	as % of investment assets 31 March 2016	Major Investments	Market Value 31 March 2017 £000	as % of investment assets 31 March 2017
122,398	18.82	Threadneedle Asset Management Ltd TPN Global Equity Fund	159,597	20.07
86,511	13.30	Schoder Inv. Management Ltd QEP Global Active Value Fund	118,567	14.91
57,102	8.78	Henderson Global Investors Ltd All Stocks Credit Fund	62,968	7.92
73,420	11.29	Pyrford Global Total Return Fund *	79,548	10.01
69,575	10.70	Standard Life Global Absolute Return Strategies.	69,954	8.80

* Managed via London CIV from 16 June 2016

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15. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is in accordance with the guidance contained in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

15a. Fair value – hierarchy

Asset and liability valuations are classified into three levels, according to the quality and reliability of information used to determine fair values. The investment assets of the Pension Fund are classed either as Level 1 or Level 2, described as follows:

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value

Values at 31 March 2017	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets at fair value through profit and loss	713,698	69,954	0	783,652
Non-financial Assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Net Investment assets	713,698	69,954	0	783,652

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	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Restated Values at 31 March 2016	£000	£000	£000	£000
Financial Assets at fair value through profit and loss	573,936	69,575	0	643,511
Non-financial Assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Net Investment assets	573,936	69,575	0	643,511

16. Financial instruments

16a. Classification of financial instruments

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

No financial assets were re-classified during the financial year.

Restated At 31 March 2016			At 31 March 2017		
Fair value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000	Fair value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
Financial Assets					
157,205			202,070		
456,528			551,681		
29,778			29,901		
	6,157			10,529	
	1,271			1,474	
	561			838	
Financial Liabilities					
		(4,388)			(4,740)
643,511	7,989	(4,388)	783,652	12,841	(4,740)

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16b. Net gains and losses on financial instruments

Restated At 31 March 2016 '000		At 31 March 2017 '000
	Financial Assets	
(6,508)	Designated at fair value through profit and loss	133,200
	188 Loans and receivables	316
(6,320)		133,516

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Pension Fund's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.
- liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.
- re-financing risk – the possibility that the Pension Fund might be requiring to sell a financial instrument below its purchase price.

Overall Procedures for Managing Risk

The Pension Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with a:

- Statement of Investment principles;
- Funding Strategy Statement;
- Statement of Governance Policy;
- Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Panel who monitor investment performance and compliance

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quarterly, including the internal control arrangements of external fund managers and the custodian.

a) Market risk

Market risk is the risk of loss from fluctuations in equity, bond and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, 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 council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short, is unlimited.

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

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

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Asset type	Values as at 31 March 2017 £'000	Change +/- %	Value on increase £'000	Value on decrease £'000
Global Equities	527,460	18.4	624,513	430,407
Diversified Growth	69,954	15.9	81,077	58,831
Total Bonds	144,427	10.1	159,014	129,840
Cash	23,127	0.0	23,127	23,127
Property	29,901	14.2	34,147	25,655
London CIV	150	0.0	150	150
Total	795,019		922,028	668,010

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 interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

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 the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table summarises the fund's currency exposure as at 31 March 2017 along with the impact that a 10.0% strengthening / weakening of the pound against the various currencies in which the fund holds investments would have on the values.

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Asset type	Values as at 31 March 2017 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas Equities	484,075	532,483	435,668
Overseas Corporate Bonds	56,925	62,618	51,233
Overseas Diversified Growth Fund	69,954	76,949	62,959
Total	610,954	672,050	549,860

The value on increase' and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2017. Because currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

b) 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. 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.

The Pension Fund has selected bond managers who have an investment strategy which requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in a special interest bearing account with the Council's bankers.

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case to meet the pensioner payroll costs; and also cash to meet investment commitments. The RBK fund currently remains cash flow positive with contributions exceeding pensions payable, though this is regularly monitored.

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The council has immediate access to a proportion of its pension fund cash holdings, as these are held in an instant access special interest bearing account maintained by Council officers. The remainder is invested in fixed term deposits taking into account likely future cash flows. Surplus funds are invested externally with fund managers. In the event of a funding shortfall the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

d) Refinancing risk

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

18. FUNDING ARRANGEMENTS

Actuarial Position

Rates of contributions paid by the participating Employers during 2016/17 were based on the actuarial valuation carried out as at 31 March 2013, by the Fund's actuary, Hymans Robertson.

The following table shows a summary of the results of the valuation:

Past Service Position	31 March 2013 £m
Past Service Liabilities	712
Market Value of Assets	502
Surplus/ (Deficit)	(210)
Funding Level	70.5%

Financial Assumptions	31 March 2013 £m	
	Nominal	Real
Discount Rate	4.6%	2.1%
Salary Increases *	4.3%	1.8%
Pension Increases	2.5%	-

* Excluding promotional increases.

As a result of these changes, the employer contribution rates which would be required from participating employers have increased as follows:

Contribution Rates	31 March 2013 (% of pay)
Employer Future Service Rate *	20.5%
Past Service Adjustment (21 year spread) **	10.9%
Total Employer Contribution Rate	31.4%

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**rate required to meet the liabilities arising in respect of service after the valuation date*

*** rate required to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over an average recovery period of 21 years from the valuation date, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation.*

The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. Their contribution rates are calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

The rates of contributions payable by each participating Employer over the period 1 April 2014 to 31 March 2017 are set out in a certificate dated 31 March 2014 which is appended to the actuary's report on the actuarial valuation. For those bodies which became separate employers within the fund since the valuation date, their contributions rates have been calculated individually and certified by the Fund's actuary.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2016 and the results were published on 31 March 2017. Contribution rates for 2017/18 to 2019/20 were set as part of this revaluation, and will be reflected in the 2017/18 financial statements.

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2017, of the actuarial valuation of promised retirement benefits as set out in IAS26, and that the actuarial present value should be calculated on an IAS 19 basis.

IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the International Financial Reporting Standards (IFRS).

Restated 31 March 2016 £m	31 March 2017 £m
(936) Actuarial Fair Value of Promised retirement benefits	(1,148)
647 Net Fund Assets available to fund benefits	792
<u>(289)</u>	<u>(356)</u>

Actuarial present value of the promised retirement benefits as at 31 March 2017 is £1,148m.
Actuarial present value of the promised retirement benefits as at 31 March 2016 is £936m.

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20. CURRENT ASSETS

31 March 2016 £000	31 March 2017 £000
86 HMRC Tax	86
1,085 Contributions due	1,228
100 Other debtors	158
11 Cash	2
<u>1,282</u>	<u>1,474</u>

21. CURRENT LIABILITIES

31 March 2016 £000	31 March 2017 £000
(9) Fund Custodian Fees	0
(623) Fund Managers' Fees	(520)
(575) Benefits payable	(212)
(1,771) Transfer Values	(437)
(1,410) Other Creditors	(3,571)
<u>(4,388)</u>	<u>(4,740)</u>

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

A number of active Fund members have elected to pay additional voluntary contributions to increase their personal benefits. Regulation 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require that these are not paid into the Pension Fund.

The total AVCs paid by members in 2016/17 were £94,975 (£53,751 in 2015/16), as below:

2015/16 £000	2016/17 £000
0.3 Equitable Life	0.1
53.7 Aviva	94.9
<u>54.0</u>	<u>95.0</u>

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These are invested with the Council's approved AVC providers and are a money purchase arrangement. At 31 March 2017, the total value of the AVC fund with Aviva was £964,322 (£813,212 at 31 March 2016) and with Equitable Life was £122,262 (£134,003 at 31 March 2016).

23. RELATED PARTY TRANSACTIONS

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the scheme are charged to the Fund. The amount charged by the Council for 2016/17 was £691,108 (£832,780 in 2015/16)

None of the Councillors voting on the Pension Fund Panel are members of the Pension Fund.

The key management personnel for the Pension Fund are the same as for the Council as a whole. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's accounts, and are within scheme administration and investment management expenses as above. The costs of the former Director of Finance cannot reasonably be apportioned in this way. Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officers remuneration and Related Party Transactions.

The Council has a significant interest in one designated body, Achieving for Children CIC, which is within the Fund and it received £1.823m in employer contributions, deficit and early retirement costs from this body (£1.793m in 2015/16)

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no known contingent liabilities or contingent assets as at 31 March 2017. There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

APPENDIX 3: Investment Strategy Statement

*Approved at Pension Fund Panel meeting on 22 February 2017 - accessible via the link below
https://www.kingston.gov.uk/downloads/file/299/investment_strategy_statement*

Background

The Local Government Pension scheme (Investment & Management of Funds) Regulations 2016 sets out the requirement for the Fund to publish an Investment Strategy Statement (ISS) on or before 1 April 2017.

The ISS sets out how the Fund's investments will be structured, and how they will deliver the long term funding objectives set out in the Funding Strategy Statement. The document will replace the former Statement of Investment Principles, subsuming the relevant material from that document. The timing of the requirement means that the initial ISS will be based upon the current investment position, and that it will need to be updated once the Investment Strategy Review (see below) is completed.

Specific statements are now required in the ISS on the following matters

- The Fund's approach to "pooling" of investments - in the case of RBK, this is of course via the London CIV
- The Fund's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- The Fund's policy on the exercise of the rights (including voting rights) attaching to investment.

The ISS was prepared in collaboration with the Fund's Investment advisors, Aon Hewitt, and a draft approved by the Pension Fund Panel on 22 February 2017. Following consultation with Fund employers the Statement was published on the Council's website on 31 March 2017.

The Fund is currently undertaking a review of its Investment strategy - once this is completed the ISS will be updated accordingly to reflect any changes in asset allocation.

APPENDIX 4: Governance Compliance Statement

With effect from 1 April 2008, the Local Government Pension Scheme Regulations 1997 (as amended) require administering authorities to prepare, maintain and publish a written statement of compliance with a set of best practice governance principles, and where an authority is non-compliant, to state the reasons.

The table below sets out the extent to which Royal Borough of Kingston upon Thames, as administering authority, comply with the governance principles.

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	Governance Principle	Compliant			Comment
		N O T	P A R T I A L L Y	F U L L Y	
1	Structure				
	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.			✓	The Pension Fund Panel consists of 5 elected members reflecting the political representation on the Council and 5 non-voting members. The Panel is responsible for the management of the administration of benefits and strategic management of the Fund's assets. The Panel has Terms of Reference.
	b) 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.			✓	Non-voting Panel members are representatives of key scheduled bodies, scheme members (including pensioner and deferred), and one independent co-opted individual.
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			✓	The Pension Fund Panel reports to the Council's Treasury Committee.
	d) 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.			✓	Three of the five elected Members of the Panel also sit on the Treasury Committee.
2	Committee Membership and Representation				
	a) That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee		✓		The main employers and scheme members are represented on the

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	<p>structure These include:-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) where appropriate, independent professional observers; and iv) expert advisors (on an ad-hoc basis) 				Pension Fund Panel. However not all individual employers are represented.
	b) 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.			✓	Non-voting members of the Pension Fund Panel have equal access to information, training, opportunity to contribute to Panel discussions and ability to influence the Panel's decisions.
3	Selection and Role of Lay Members				
	a) 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.			✓	All new members of the Panel are given training as part of their induction to enable them to play a full role on the Panel. Additional training is tailored to enhance members' governance capacity as the pension fund environment change.
	b) 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			✓	At the start of Pension Fund Panel meetings, members must declare if they have an interest in any of the items on the agenda. Interest may be personal or pecuniary. Depending on the interests declared, it might be necessary for the member(s) to leave the meeting. The detail on interests is in Part 5A of the Council's Constitution – Members' Code of Conduct.

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4	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.		✓		Elected Members of the Pension Fund Panel have voting rights. Voting rights have not been extended to employer and member/pensioner/ co-opted representatives as they are not elected Members of the Council.
5	Training/Facility Time/Expenses				
	a) 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.			✓	There is a clear policy on training. The Fund pays for approved training courses for all members. The training plan reflects the Panel's work programme and the needs of the committee agenda.
	b) 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.			✓	
	c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.			✓	A training plan is in place for the Pension Fund Panel and a log of training undertaken is maintained.
6	Meetings (Frequency/Quorum)				
	a) That an administering authority's main committee or committees meet at least quarterly.			✓	The Treasury Committee meets five times a year.
	b) 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.			✓	Formal meetings of the Pension Fund Panel are held quarterly. In addition, a "Manager Day" meeting is held twice a year. Panel meeting dates are synchronised with the dates of the Treasury Committee meetings.
	c) That an administering authority who does not include lay members in their				N/A

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	formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented				
7	Access				
	That subject to any rules in the Councils' 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.			✓	All members of the Pension Fund Panel have equal access to meeting papers and advice considered at meetings.
8	Scope				
	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements			✓	The Pension Fund Panel's terms of reference covers investment management and the wider pension administration matters. A review of Fund governance was carried out in 2013-14 ahead of the introduction of the Pension Board in 2015.
9	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.			✓	All statutory and other material relating to the Scheme governance are published on the Council's website allowing stakeholders to follow up on any matter.

Note: A review of Fund Governance arrangements was undertaken in 2014/15, to ensure that the new requirements (in particular that for a local Pension Board) was in place from 1 April 2015.

APPENDIX 5: Actuarial Valuation Report 2016

Presented to the Pension Fund Panel meeting on 28 June 2017 - accessible via the link below

https://www.kingston.gov.uk/downloads/file/1864/actuarial_valuation_2016

APPENDIX 6: Funding Strategy Statement

Approved at Pension Fund Panel meeting on 22 February 2017- accessible via the link below

https://www.kingston.gov.uk/site/scripts/google_results.php?q=Funding+Strategy+Statement

APPENDIX 7: Communications Policy Statement

STATEMENT OF POLICY CONCERNING COMMUNICATION AS REQUIRED BY REGULATION 61

The Local Government Pension Scheme Regulations 2013

Prospective Member

A prospective member will be provided with a brief guide to the Scheme to assist him/her in his/her decision regarding membership of the Scheme.

New Member

A new member will be issued with a statutory notice, a letter about Combined Annual Benefit Statements, and details of where information about the Pension Scheme can be found, within the timescale detailed in the Pension Charter. This will normally be sent to the member's home address where it is available but otherwise will be sent to the employer to distribute. A copy of the Pensions Charter is available on the web pages at www.kingston.gov.uk/pensions. A senior member of Pension Services will be available to provide a PowerPoint presentation on the advantages of joining the Scheme as required by the employer.

Active Member

A newsletter will be issued at least twice each year. This will be sent to the employer to distribute. All members are invited to the Annual Pension Fund Meeting which is held in October each year. There will be a presentation from the Head of Finance - Strategy and Accounting on the performance of Pension Fund investments, the Pensions Manager on Scheme administration and another presenter on a topical issue.

Briefing sessions on changes to the Scheme will be held when necessary.

Deferred Members

Changes to the Scheme affecting a deferred member will be notified when annual benefit statements are issued unless earlier communication is necessary. A deferred member will be advised that a copy of the Annual Report can be viewed on the web pages together with information about the Annual Pension Fund Meeting.

Pensioner Members

A newsletter will be issued once each year. Issued in April the newsletter will give a breakdown of payments made over the previous year and advise of the percentage of pensions increase.

Representatives of Employees

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For R.B Kingston, information will be provided through Staff Consultative Committee as necessary. For other employers this will be provided on request.

Employers

All appropriate information received by R.B Kingston will be forwarded on to the named contact at each active employer within 5 days of receipt unless not required to do so by the employer.

Web Pages

All policy statements are on the web pages. A range of forms will be available together with links to other websites with the most up to date information.

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GLOSSARY

Absolute Return - an investment strategy that tries to achieve a given level of long-term return, often related to cash, rather than related to a benchmark.

Accounting Period - The timescale during which accounts are prepared. Local Authority accounts have an overall accounting period of one year from 1 April to 31 March.

Accounting Policies - Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Accounting Standards - A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

Accruals - This is the concept that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

Active Member – A member of an occupational pension scheme, who is building up pension benefits in either a defined benefit, or a defined contribution scheme from their current job.

Actuarial Valuation – An investigation by the Scheme actuary into the ability of a pension scheme to meet its liabilities.

Actuary – An adviser on financial information and assumptions relating to a pension scheme.

Admitted Body – A body which can be admitted to the LGPS with the agreement of the Administering Authority. It must be non profit-making and will normally be in receipt of a grant from either central or local government.

Agency Services - Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

Assets – Any item of economic value owned by an individual or corporation, especially that which could be converted to cash.

Contingent Assets - A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future event not wholly within the Council's control.

Contingent Liabilities - These are potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Comprehensive Income and Expenditure Statement.

Creditors - These are amounts owed by the Council for goods and services supplied, but for which payment has not been made at the end of the financial year.

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Debtors - These are amounts owed to the Council but not received at the end of the financial year.

Deferred Member – A member who is no longer active in the Scheme but is not yet in receipt of a pension.

Defined Benefits Pension Scheme - Retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The scheme may be funded or unfunded.

Diversified Growth Fund – A fund that invests in a wide variety of asset classes in order to deliver real capital appreciation over the medium to long term.

Equity – The capital of a company belonging to the ordinary shareholders who have voting rights allowing them to influence the management of the company.

Fair Value - Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments - A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Fixed Interest Security – A security which yields fixed and regular income (interest).

International Financial Reporting Standards (IFRS) - The accounting standards adopted by the International Accounting Standards Board (IASB). Local authorities are required to produce 2014/15 accounts using IFRS.

Interest Cost (Pensions) - For a defined benefit scheme, the expected increase during the period, in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Liability – A financial obligation, debt, claim, or potential loss.

London Collective Investment Vehicle (CIV) - An FCA Regulated fund manager that represents the pooled investments of 32 London Local Authority Pension Funds (including the City of London).

Past Service Costs - For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events - Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Related Parties - Two or more parties are defined to be related parties when at any time

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during the financial period concerned, one party has direct or indirect control or influence on the other party, for example;

the parties are subject to common control from the same source; or

one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; **or**

the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related Party Transaction - A related party transaction is the transfer of assets or performance of services by to or for a related party irrespective of whether a charge is made.

Scheduled Body – There are a number of employers who are required to provide membership of the Local Government Pension Scheme to all their employees. These employers are listed in a schedule that appears at the back of the Local Government Pension Scheme Regulations. Unlike admitted bodies, scheduled bodies cannot refuse membership of the Scheme to their employees.

Security – Any kind of transferable certificate of ownership.

Statement of Investment Principles (SIP) – Trustees of Pension Funds are required to prepare and keep up to date this written statement to show the governance decisions on the investment of scheme's assets.

Unitised Fund – An investment vehicle whereby the contributions of unit-holders are pooled and the total amount is then used to purchase assets such as shares, bonds, property and cash.