



MANAGEMENT and SCHEME ADMINISTRATION OVERVIEW

Pension Fund Panel

The Panel is responsible for overseeing the management of the Pension Fund, including investments, actuarial work, administration and fund governance.

Council Members Serving on the Panel

Cllr Eric Humphrey (Chair)
Cllr Rowena Bass (Vice-Chair)
Cllr Mike Head
Cllr John Ayles
Cllr Thay Thayalan

Observer Members

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

Co-opted Member for Independent Advice

Matthew Lambe

Management Contacts

Leigh Whitehouse (Director of Finance)
Jeremy Randall (Head of Finance – Strategy & Accounting)
Andy Banham (Shared Pensions Service)

Investment Managers

See Investment Policy and Performance below.

Custodian

JP Morgan Chase Bank

Investment Consultant

Aon Hewitt

Auditor

Grant Thornton UK LLP

Fund Actuary

Hymans Robertson LLP

Actuarial Valuation of the Fund

The arrangements for the 2016 triennial actuarial valuation started during the year. In February 2016, the Panel received a presentation from the Fund's actuary. This provided background to the approach, timetable and outcomes from the process.

Scheme Administration Team

The team is responsible for the administration of the Pension Fund which is part of the Local Government Pension Scheme (LGPS).

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.

A shared Pensions Administration service with the London Borough of Sutton, hosted by Sutton, went 'live' in April 2016.

The Team's web pages can be found on the RBK website <http://www.kingston.gov.uk/pensions>

Further information about the Local Government Pension Scheme can be found on the LGPS website. Additional information can be found on the Local Government Association (LGA) website, including a number of useful guides to the scheme. The LGA represents employers' interests to central government and other bodies on local government pensions policy.

How to Contact the Administration Team

We would prefer that you contact us by e-mail.
Email: skpensions@sutton.gov.uk

If you do not have access to e-mail you can telephone on 0208 770 5290.

If you want to write, the address is:
Sutton & Kingston Shared Pension Service
Sutton Civic Offices, St Nicholas Way, Sutton,
SM1 1EA

The Pension Board

In line with Public Service Pensions Act 2013, and the Local Government Scheme, the Board 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 process.



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, the permitted ranges for the re-balancing policy, and the actual asset allocation of the Fund at 31st March 2016. It shows that the Fund's asset mix is consistent with the investment strategy agreed by the Pension Fund Panel with a small balance of cash held for liquidity purposes.

| Asset class | Strategic Asset Allocation | Permitted Range | Asset Allocation as at 31 March 2016 |
|-------------------------------|----------------------------|-----------------|--------------------------------------|
| | % | % | % |
| Equities | 60 | 55 - 65 | 59.36 |
| Diversified Growth Fund (DGF) | 20 | 15 - 25 | 21.94 |
| Bonds | 15 | 10 - 20 | 13.60 |
| Property | 5 | No rebalancing | 4.84 |
| Cash | | | 0.26 |
| Total | 100 | 100 | 100 |

Summary of Investment Assets

The market value of the assets managed by each fund manager as at 31 March 2016 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 | 157,504 | 24.17 |
| | Other Managed Funds (Emerging Market equities) | 16,579 | 2.54 |
| | Cash and other investment balances | 3,183 | 0.49 |
| ColumbiaThreadneedle | Unitised Insurance Policy (Global equities) | 122,398 | 18.79 |
| Schroders | Other Managed Funds (Global equities) | 86,511 | 13.28 |
| Henderson | Other Managed Funds (Bonds) | 88,480 | 13.58 |
| UBS | Property Unit Trusts | 29,822 | 4.58 |
| | Cash and other investment balances | 1,703 | 0.26 |
| Pyrford | Other Managed Funds (DGF) | 73,420 | 11.27 |
| Standard Life | Other Managed Funds (DGF) | 70,078 | 10.76 |
| In house | Cash | 1,670 | 0.26 |
| London CIV | Regulatory Capital | 150 | 0.02 |
| TOTAL | | 651,498 | 100.0 |

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THE ROYAL BOROUGH OF
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UPON THAMES

Asset Allocation - The ten largest holdings of the Pension Fund were as follows:

| Name | Value as at 31 March 2016 £'000 | % of Total Net Assets as at 31 March 2016 |
|---|---------------------------------------|---|
| Columbia Threadneedle TPN Global Equity Fund | 122,398 | 18.79 |
| Schroder Life QEP Global Active Value Fund | 86,511 | 13.28 |
| Pyrford Global Total Return (Sterling) Fund Class A | 73,420 | 11.27 |
| Standard Life Global Asset Return Strategies (GARS) | 70,078 | 10.76 |
| Henderson All Stocks Credit Fund | 57,331 | 8.80 |
| Henderson All Stocks Total Return Bond | 31,095 | 4.80 |
| UBS Triton Property Unit Trust | 18,904 | 2.90 |
| Fidelity Select Emerging Markets Fund | 16,579 | 2.58 |
| Standard Life Inv Plan Property Fund | 8,426 | 1.30 |
| Apple Inc | 3,107 | 0.48 |

The nine largest holdings above are in the managers' own vehicles - 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 2016 £000 | % of Total Net Assets as at 31 March 2016 |
|-------------------|--------------------------------------|--|
| Apple Inc | 3,107 | 0.48 |
| General Electric | 2,297 | 0.35 |
| Johnson & Johnson | 2,009 | 0.31 |
| Coca-Cola | 1,896 | 0.29 |
| Facebook A | 1,635 | 0.25 |
| Wells Fargo & Co | 1,626 | 0.25 |
| Alphabet A | 1,581 | 0.24 |
| Amazon | 1,569 | 0.24 |
| Alphabet C | 1,557 | 0.24 |
| Procter & Gamble | 1,459 | 0.22 |

Pension Fund Performance

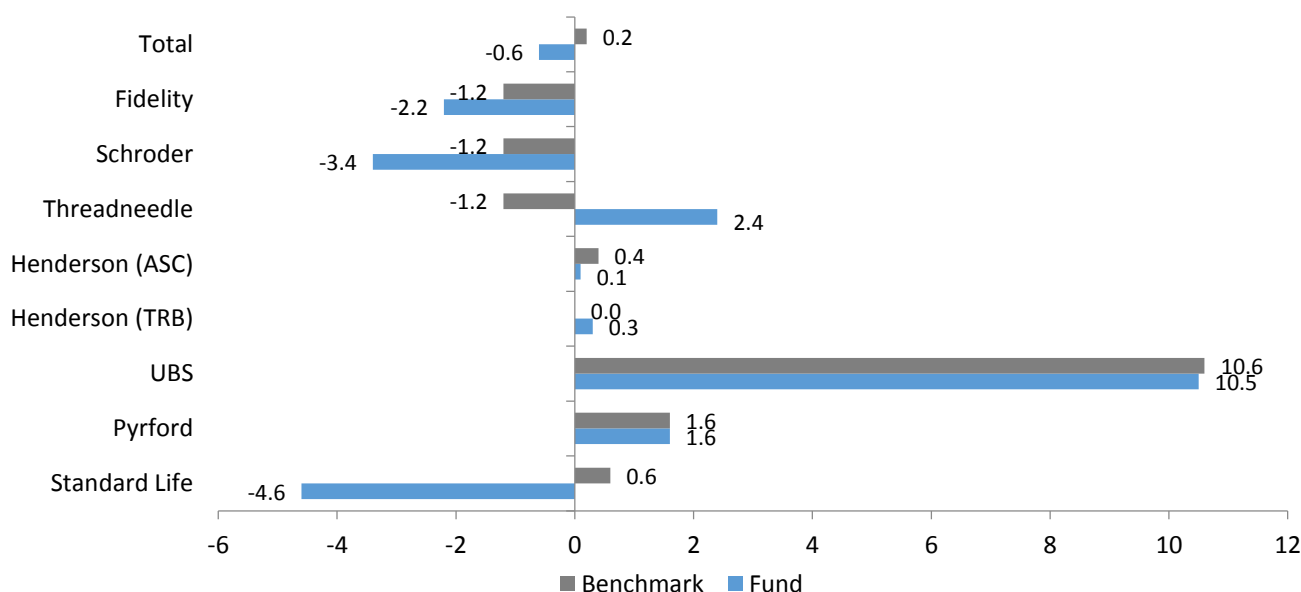
During 2015/16 the Panel challenged the performance of the investment managers at two “all day” meetings, as well as monitoring the activity and performance of the investment managers at scheduled quarterly meetings. Each of the fund managers are required to outperform their respective benchmark over a rolling three year period.

The table below sets out the quarter by quarter results for the Fund in 2015-16. The total Fund return for the year was -0.6%, compared to the benchmark return of +0.2%. The relative return represents an under performance of -0.8%.

| 2015-16 | First Quarter April to June 2015 % | Second Quarter July to September 2015 % | Third Quarter October to December 2015 % | Fourth Quarter January to March 2016 % | Total Annual Performance 2015-16 % |
|---------------------|--|--|--|--|--|
| Fund Return | -3.5 | -3.8 | 5.8 | 1.2 | -0.6 |
| Benchmark Return | -3.5 | -3.3 | 5.0 | 2.2 | 0.2 |
| Relative Return | 0.0 | -0.5 | 0.8 | -1.0 | -0.8 |

Fund managers’ performance against their benchmark for the year 2015-2016 is shown in the graph below.

Fund and Benchmark Returns- 1 year



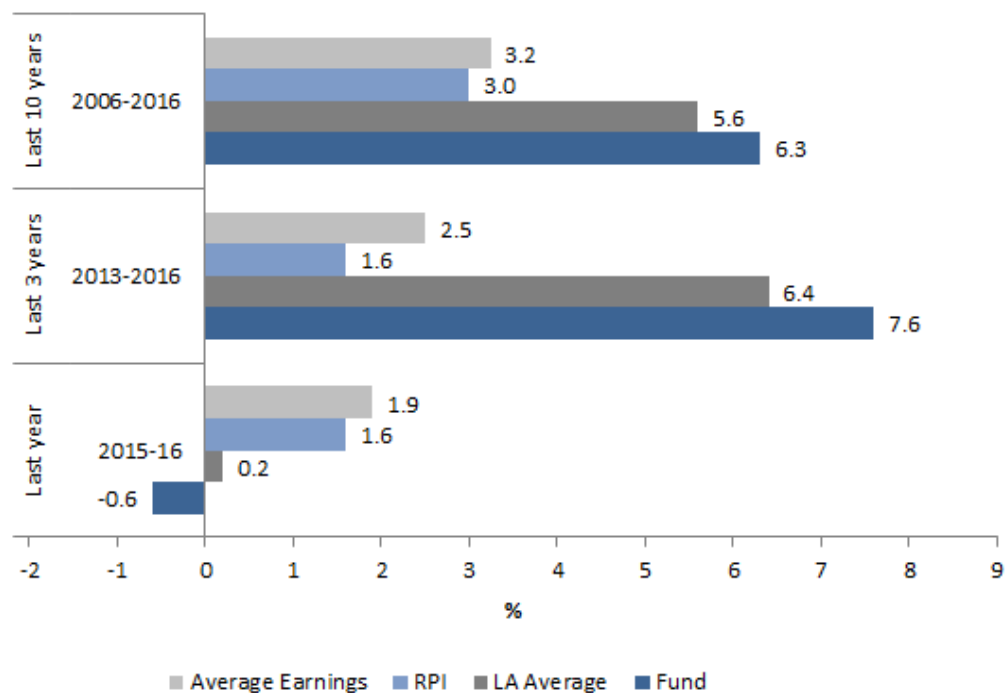
Investment Returns

The chart below compares the Fund's performance over the last ten years with the WM Local Authority Peer Group Average of 88 local authority funds (total assets valued at £207 billion, as at 31 March 2016). 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.

Annualised Investment Returns

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

Annualised Returns on Investments



FUND MEMBERSHIP 5 YEAR ANALYSIS

| Year | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|---------|---------|---------|---------|---------|
| Active | 4,143 | 4,056 | 4,385 | 4,762 | 5,565 |
| Deferred | 4,054 | 4,169 | 4,483 | 4,824 | 4,836 |
| Pensioners and Dependents | 3,410 | 3,513 | 3,673 | 4,045 | 4,039 |
| Early Retirement (Efficiency/Redundancy) | 62 | 32 | 11 | 30 | 40 |
| Ill Health Retirement | 3 | 2 | 3 | 4 | 3 |

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FINANCIAL PERFORMANCE

Fund Accounts and Net Assets Statement

The Auditors Report and the Pension Fund Statement of Accounts for 2015-16 are accessible via the following link :

http://www.kingston.gov.uk/downloads/200285/financial_information

Five Year Summary of Financial Statistics

| Year Ended 31 March Revenue Account | 2012 £'m | 2013 £'m | 2014 £'m | 2015 £'m | 2016 £'m |
|--|-------------|-------------|-------------|-------------|-------------|
| Income | | | | | |
| Contributions | 29.2 | 29.5 | 31.4 | 33.7 | 35.8 |
| Investment Income | 6.8 | 7.2 | 6.9 | 5.0 | 4.0 |
| Cash Transfer Values | 2.3 | 6.7 | 9.6 | 3.6 | 1.7 |
| | 38.3 | 43.4 | 47.9 | 42.3 | 41.5 |
| Expenditure | | | | | |
| Pension & Benefits | 22.8 | 23.5 | 25.3 | 26.5 | 28.7 |
| Management Expenses | 1.9 | 2.2 | 3.4 | 3.7 | 3.4 |
| Cash Transfer Values | 3.0 | 3.7 | 3.0 | 1.8 | 2.3 |
| | 27.7 | 29.4 | 31.7 | 32.0 | 34.4 |
| Surplus for the Year | 10.6 | 14.0 | 16.2 | 10.3 | 7.1 |
| Revaluation of Investments | (3.8) | 55.8 | 31.1 | 87.3 | (5.0) |
| Change in Fund Value | 6.8 | 69.8 | 47.3 | 97.6 | 2.1 |
| Total Fund Value | 431.6 | 501.4 | 548.7 | 646.3 | 648.4 |

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.

FURTHER INFORMATION

The actual Pension Fund Report for the financial year 2015/16, along with the following documents are available via the following link: www.kingston.gov.uk/pensions

Auditors Report 2015-16
Statement of Investment Principles
Governance Compliance Statement
Funding Strategy Statement

Pension Fund Statement of Accounts 2015-16
Aon Hewitt Investment Strategy Review Summary
Actuarial Valuation Report as at 31 March 2013
Communications Policy Statement