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# **Royal Borough of Kingston upon Thames Pension Fund Annual Report 2023/24**



THE ROYAL BOROUGH OF  
**KINGSTON**  
UPON THAMES

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# 1. FUND HIGHLIGHTS

**£1.25bn**  
Pension Fund Value  
(22-23 £1.09bn)

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**37**  
Employers

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**£44.5m**  
Contributions received  
(22-23 £39.0m)

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**£38.6m**  
Benefits paid  
(22-23 £36.1m)

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**150%**  
Funding Level  
(111% 2022 Triennial Valuation)

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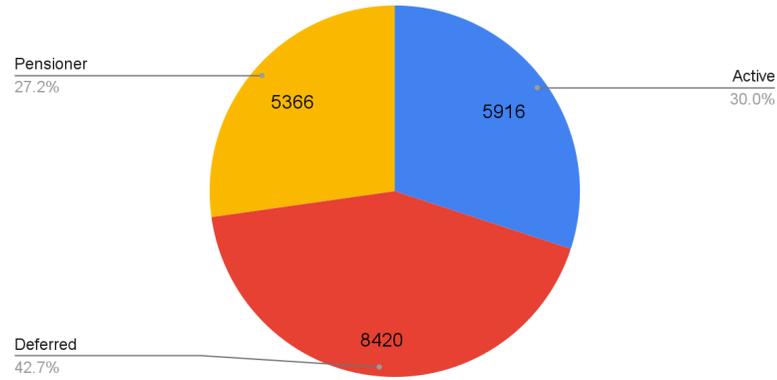
**50.5%**  
Investments pooled with LCIV

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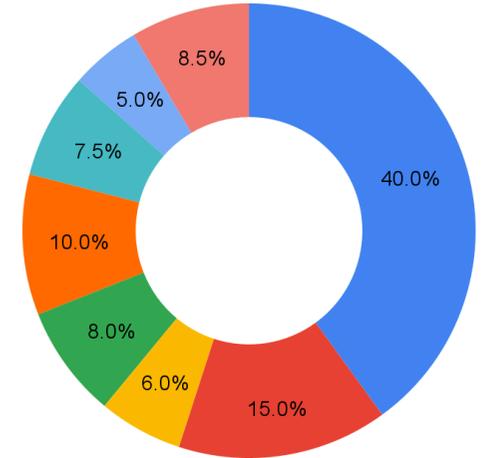
**£1.07m**  
Cumulative fee savings achieved through pooling

## Membership by Type

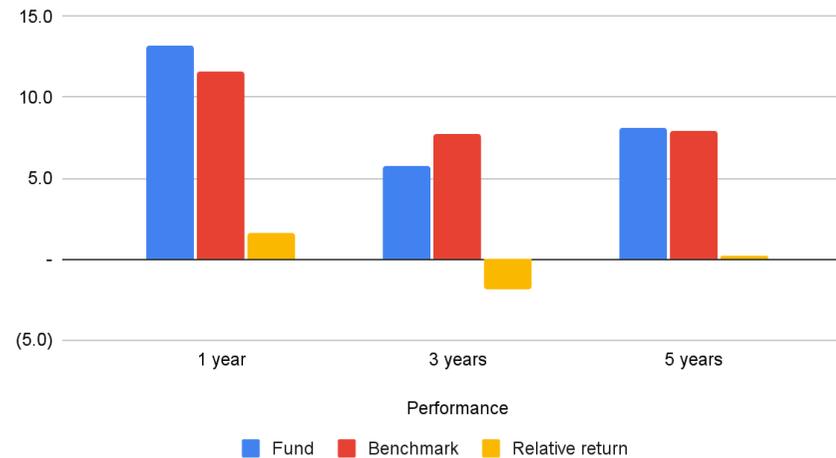
Total Membership = 19,702



- Equities
- Bonds
- DGFs
- Property
- Credit
- Infrastructure
- Private Debt
- Impact



## Investment Performance over 1, 3 and 5 years



## 2. INTRODUCTIONS

### PENSION FUND PANEL CHAIR'S INTRODUCTION



I am pleased to present the Pension Fund Annual Report for 2023/24 as the new Chair of the Pension Panel. This report brings together the Fund's financial statements with a review of financial and investment performance and the work of the shared pensions administration service, as well as the Fund's key policy documents.

During 2023/24 the Fund has seen the value of its net assets increase by 14% (£157m) to £1,250m. This significantly improved position is very welcome, particularly following the challenges faced by the Fund's investments during the previous year. 2023/24 marked a much needed comeback for equity and bond market performance, which benefited the Fund's allocations in these asset classes.

At the end of March 2024, 50% of the Fund's investment portfolio was pooled in London CIV funds. The fund will continue to work with the London CIV in the coming years to continue transitioning assets into the pool as and when appropriate in order to meet the Governments developing expectations on the pooling of LGPS assets.

The performance of the Fund's investments steadily improved over the year and by March 2024 the one year return was an impressive 13.2% against a benchmark of 11.6%. This also compares very favourably with the average one year return across all Local Government Pension Scheme (LGPS) funds coming in at 9.2%. I am particularly proud that the Fund has finished in the top 10 funds in the LGPS PIRC universe for performance.

A major focus for the Fund's Investment Strategy is on responsible investing and with this in mind significant progress was made. The Fund not only made an asset allocation into impact, but also delivered in terms of its implementation. This meant selecting two additional funds from the London CIV pool designed with the intention to generate beneficial social or environmental impacts, alongside a financial return. As well as sitting in the Impact investing space, these funds are also expected to help meet the Government's desire to increase LGPS investment in UK growth assets.

A full triennial valuation of the Fund (undertaken in 2022) established a funding level of 111%, a significant increase on the 95% funding level from the previous valuation. The value of the Fund's assets now exceeds the value of its liabilities, primarily as a result of the Fund's strong investment returns. This improved funding level, which has continued rising, and the higher return available on fixed income assets, has allowed the Fund to increase its focus on areas that are of strategic importance to the Fund.

The role of administering the Fund is discharged by the shared Kingston and Sutton Pensions Administration Service. At the end of March 2024 membership of the Fund stood at approximately 19,700 across 37 employers. A significant focus for the team during 2023/24 has been on improving communications between scheme employers and the administering authority, with the aim of improving the overall experience for members. A greater emphasis has been placed on using technology to enhance services, improve accessibility and broaden inclusion. The use of digital communication through the secure member portal, Pensions Online, is a vital part of this and its use will continue to develop.

A very successful virtual Kingston and Sutton Pension Fund Employer Forum was held in February 2024. This event was open to all employers in both pension funds and provided a comprehensive update on all the relevant LGPS topics for employers to be aware of. Employers can also now expect to receive quarterly newsletters and have access to a range of additional resources, as well as the provision of training events, as and when required.

Good progress was made during the year on key ongoing projects, such as the Guaranteed Minimum Pension Reconciliation Project and McCloud Remedy Project. The Fund continues to proactively monitor its cyber security measures in accordance with its Cyber Security Policy and this will be an area of increasing focus in the year to come. A lot of work has been carried out on data improvements, which puts the Fund in a well prepared position ahead of the next triennial valuation.

The Fund continues to demonstrate that it is in a strong position to face future challenges and changes that will no doubt impact the LGPS over the medium term.

Councillor Patrick Hall  
**Chair of the Pension Fund Panel**

## PENSION BOARD CHAIR'S INTRODUCTION



I am pleased to join Councillor Hall in presenting the Pension Fund Annual Report for 2023/24.

The Pension Board helps the pension fund comply with the LGPS rules, pensions legislation and guidance from The Pensions Regulator. In its operation, the Board provides oversight to the fund and complements the Pension Fund Panel and aims to add value to the Fund. Some of the significant ways in which it does this includes providing scrutiny of Fund's investment performance, asset allocation and compliance with its Responsible Investment Policy and providing detailed scrutiny of administration performance, along with recommendations on the reporting of these areas to enable greater understanding and future challenge by Board and Committee members.

This year the Board gave particular focus to administration performance that has faced numerous challenges in recent years. The key focus of the Board has been to review the progress of the data improvement plan to ensure an overall improvement in meeting performance targets. The Board continued to provide both challenge and support in order to drive forward improvement in the Fund data quality and meeting performance targets.

The Board also recognised that the employers and members participating in the Fund continued to grow and change. This has increased the importance and value added by the Employer Liaison team as they continue to develop and deliver employer training sessions which aim to support employers administering the LGPS. This is with the overall aim of ensuring the Fund holds good quality data ensuring it is able to provide accurate pension projections and the timely payment of benefits.

The Board also continued to monitor the progress of the ongoing McCloud Remedy and GMP Reconciliation projects. The Board fulfilled its role by raising questions, making observations and suggestions, providing challenge and also support and encouragement to ensure that the Fund meets its legal obligations.

The Board also recognises the growing focus on the knowledge and skills of those charged with the responsibility for LGPS Funds. Our Board and its members have taken the opportunities provided by our officers to further their understanding and skills through the online training programme, which aids in our role of supporting members and employers. During the year the Board received updates and training on responsible investment, accounting and financial management together with wider industry updates.

I would like to thank all our member and employer representatives on the Board for their dedication to training and contribution to our meetings. We continue to benefit from good member engagement and representation across our employer base and welcome the stability and ongoing interest in Board membership as we continue to support the good governance of the Fund.

Robert Ewing  
**Chair of the Pension Board**

### 3. OVERALL FUND MANAGEMENT

#### Scheme management and advisers during 2023/24

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##### **Administering Authority**

Royal Borough of Kingston upon Thames

##### **Supporting Officers**

Sarah Ireland, Chief Executive

Rachel Howard, Interim Director of Finance and s151 officer

Andrien Meyers, Head of Pension Fund Investments

Bradley Peyton, Head of Insurance and Pensions Administration (up to December 23)

Nick Weaver, Head of Pensions Administration (from December 23)

Hassan Shirwani, Interim Pensions Finance and Investments Manager (up to November 23)

Katherine Gray, Pensions Finance and Investments Manager (from November 23)

Paul Godfrey, Senior Finance Lead - Pensions Investments and Reporting

Tom Taylor, Pensions Team Leader (Employer Liaison and Governance)

##### **Scheme Administrators**

Sutton and Kingston Shared Pensions Administration Service

##### **Asset Pool**

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London Collective Investment Vehicle (LCIV)

**Investment Managers:**

**Equities**

Columbia Threadneedle

Fidelity

Legal & General

**Property**

UBS

M&G

**Asset Pool portfolio managers**

London CIV - Octopus, CBRE (Housing Fund)

London CIV - LPPI (London Fund)

London CIV - Ruffer (Diversified Growth)

London CIV - CQS & PIMCO (Multi-Asset Credit)

London CIV - PIMCO (Global Bonds)

London CIV - Churchill & Pemberton (Private Debt)

London CIV - BlackRock, Stonepeak, Quinbrook, Foresight (Renewable Infrastructure)

<b>Bonds</b>	
Janus Henderson	
<b>Bank</b>	
Lloyds Bank	
<b>Actuary</b>	<b>Auditor</b>
Hymans Robertson	KPMG
<b>AVC Providers</b>	<b>Benefits Consultant</b>
Aviva and Utmost	Aon
<b>Custodian</b>	<b>Investment Consultant</b>
Northern Trust	Mercer
<b>Legal Advisor</b>	<b>Independent Investment Advisor</b>
South London Legal Partnership	Marian George
<b>Performance Monitoring</b>	
Mercer and Pirc Ltd	

## 4. FINANCIAL PERFORMANCE

### Fund Income and Expenditure From 2019/20 to 2023/24

Income and expenditure of the Fund over the past five years is shown in the table below.

	2019/20	2020/21	2021/22	2022/3	2023/24
	£'m	£'m	£'m	£'m	£'m
Contributions receivable & Transfers In	42.6	44.1	40.4	43.7	54.5
Benefits payable & Transfers Out	(38.4)	(34.6)	(38.2)	(41.3)	(43.1)
<b>Net payment to/(from) the Fund</b>	<b>4.2</b>	<b>9.5</b>	<b>2.2</b>	<b>2.4</b>	<b>11.4</b>
Fund management expenses	(8.8)	(9.3)	(9.2)	(10.2)	(7.4)
Net investment income	9.5	9.3	10.6	12.9	20.5
Change in market value	(25.7)	224.6	76.2	(39.6)	132.7
<b>Net increase/(decrease) in the Fund</b>	<b>(20.8)</b>	<b>234.2</b>	<b>79.8</b>	<b>(34.5)</b>	<b>157.2</b>

The financial performance table above shows a net increase in the Fund's value of £416m over the past 5 years. This is attributed to the net change in market value and investment income (after fund management expenses) of £386.2m combined with net payments to the fund of £29.7m over this period. Contributions to the fund have exceeded benefits payable on an annual basis thus far, a position that could soon reverse as the number of retirees increase. The Fund's management expenses have annually been covered by net investment income over the period. Further details are provided later.

## Analysis of Contributions and Benefits of the Fund

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
<b>Contributions and Transfers in</b>					
- Members' contributions	(7,794)	(8,394)	(9,313)	(9,468)	(10,467)
- Employers' contributions	(27,183)	(32,355)	(27,475)	(29,597)	(34,033)
- Transfers in	(7,648)	(3,360)	(3,597)	(4,655)	(9,995)
<b>Total Contributions and Transfers in</b>	<b>(42,625)</b>	<b>(44,108)</b>	<b>(40,385)</b>	<b>(43,720)</b>	<b>(54,495)</b>
<b>Benefits and Leaver payments</b>					
- Pensions	26,595	27,078	29,098	30,423	33,871
- Lump sum retirements and death benefits	5,274	4,619	4,823	5,663	4,748
- Transfers out	6,141	2,785	4,200	5,100	4,297
- Refunds	371	112	83	152	178
<b>Total Benefits and Leaver payments</b>	<b>38,381</b>	<b>34,594</b>	<b>38,205</b>	<b>41,338</b>	<b>43,094</b>
<b>Net Payment (to) / from the Fund</b>	<b>(4,244)</b>	<b>(9,514)</b>	<b>(2,180)</b>	<b>(2,382)</b>	<b>(11,401)</b>

Contributions received in 2023/24 have continued to exceed benefit payments. Transfers into the scheme during 2023/24 has more than doubled from 2022/23. This is due to significant progress being made during the year in clearing the backlog of cases in this area. Contribution income is higher in 2023/24 compared to the previous year due to RBK Council pre-paying 3 years of deficit contributions upfront during the year.

## Analysis of Fund Management Expenses

The costs of managing the Pension Fund are split into three areas; administration costs, investment management expenses and oversight and governance costs. These costs incurred over the last five years are shown in the table below.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
<b>Administration Cost</b>					
Internal support costs	605	857	1,005	1,116	1,315
<b>Sub-total Administration Costs</b>	<b>605</b>	<b>857</b>	<b>1,005</b>	<b>1,116</b>	<b>1,315</b>
<b>Investment Management Expenses</b>					
Management fees	4,090	4,897	5,707	5,613	4,145
Transaction costs	3,697	3,240	2,304	3,187	1,630
Custodian	47	59	58	58	47
<b>Sub-total Investment Management Expenses</b>	<b>7,834</b>	<b>8,196</b>	<b>8,069</b>	<b>8,858</b>	<b>5,822</b>
<b>Oversight and Governance Costs</b>					
Actuarial fees	189	23	7	69	25
External audit	16	33	40	41	65

Investment advice	78	63	44	45	72
Other	119	144	10	21	49
<b>Sub-total Oversight &amp; Governance Costs</b>	<b>402</b>	<b>263</b>	<b>101</b>	<b>176</b>	<b>211</b>
<b>Total Fund Management Expenses</b>	<b>8,841</b>	<b>9,316</b>	<b>9,175</b>	<b>10,150</b>	<b>7,348</b>

The investment management fees in 2023/24 only include charges that the Fund has actually incurred and not notional costs that are not borne by the Fund.

Overall, in 2023/24 the cost of managing the Fund represents approximately 0.59% (2022/23: 0.64% ) of the value of the Fund.

## Costs per member

	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Membership number</b>	<b>15,670</b>	<b>15,980</b>	<b>18,208</b>	<b>18,736</b>	<b>19,702</b>
Cost per member (£)	£	£	£	£	£
Administration costs	39	54	55	60	67
Investment Management costs	500	513	443	473	296
<b>Oversight and Governance costs</b>	26	16	6	9	11
<b>Total Fund costs (£)</b>	<b>564</b>	<b>583</b>	<b>504</b>	<b>542</b>	<b>373</b>

Please note that the membership numbers exclude members with frozen refunds. From 2023/24 onwards, the investment management costs only include charges that the fund has actually incurred, and not notional costs that are not borne by the Fund.

## Current Assets / Liabilities

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
<b>Current Assets</b>					
Contributions	1,117	1,129	1,665	1,249	2,756
Other debtors	7,055	6,843	7,397	1,072	1,016
Cash at Bank	7,535	17,846	14,532	15,412	25,743
<b>Sub-total</b>	<b>15,707</b>	<b>25,818</b>	<b>23,595</b>	<b>17,733</b>	<b>29,515</b>
<b>Current Liabilities</b>					
Benefits Payable	(11)	(80)	(525)	(665)	(110)
Transfer Values	(9)	(127)	-	-	
Other Creditors	(1,910)	(5,498)	(1,848)	(1,882)	(1,827)
<b>Sub-total</b>	<b>(1,930)</b>	<b>(5,705)</b>	<b>(2,373)</b>	<b>(2,547)</b>	<b>(1,937)</b>
<b>Net Current Assets / (Liabilities)</b>	<b>13,777</b>	<b>20,113</b>	<b>21,222</b>	<b>15,186</b>	<b>27,578</b>

Current assets are made up of cash and income due to the Fund at the end of each year from admitted body contributions, or transfers in pending, from other pension funds.

Current liabilities consist of fund expenses outstanding at year end which includes cash owed to the Royal Borough of Kingston Council for previous transactions.

## 5. INVESTMENT POLICY AND PERFORMANCE REPORT

### Investment Markets

#### Macro

The second calendar quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, ongoing economic resilience, declining inflation, an equity rally led by seven stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase policy rates, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter.

Developed market central bank actions continued to be mixed in Q3 2023, with some deciding to pause hiking interest rates, and others continuing to increase policy rates. Headline inflation continued to slow and core inflation fell in most regions.

Inflation expectations also continued to decline over the quarter. US GDP growth estimates appear to have accelerated in the second quarter of 2023. China's economy expanded, largely due to favourable base effects but overall, the momentum has been weak, indicating subdued demand. The Japanese economy saw the strongest growth since the last quarter of 2020, on the back of strong exports growth. GDP growth has been modest for the Eurozone in Q2 2023. UK GDP is estimated to have increased in the second quarter of 2023.

The fourth quarter of 2023 started off with low market expectations owing to high long-term interest rates and renewed geopolitical tensions in the Middle East. Markets reached their lows near the end of October due to risk-off sentiment. However, in November, slowing inflation in the US and other regions raised hopes that interest rates may have peaked, boosting investor confidence. Over the quarter, the US Federal Reserve kept rates unchanged, but shifted towards a dovish tone. Inflation expectations also

continued to decline over the quarter. US GDP growth accelerated in the third quarter of 2023. China's economy grew 4.9% (year-on-year) in Q3. Chinese policy makers remain committed to supporting the Chinese economy. Quarter on quarter GDP growth contracted in the eurozone in Q3 2023. UK GDP growth is estimated to have declined 0.1% in the third quarter of 2023.

The first quarter of 2024 was characterised by a repricing of interest rate expectations, especially for developed market (DM) central banks. The timing of potential rate cuts by the US Federal Reserve, ECB and BOE were pushed back to the second half of 2024 as growth and inflation data surprised to the upside. Despite rising bond yields, equity markets continued to rally driven by AI enthusiasm and strong corporate earnings. Japanese equities outperformed its peers on the back of solid earnings growth and a weaker yen. Emerging Market equities were held back by weakness in China, although Chinese equities did rally in the second half of the quarter.

## Equities

On a year-on-year basis to 31 March 2024, Sterling returns for developed market equities were positive at 22.5%. Sterling's depreciation increased equity returns for unhedged UK investors. Emerging markets (EMs) were also positive (6.2%) but underperformed relative to global equities.

As we entered Q2 and Q3 2023, equity markets in the US largely looked through the regional banking distress but the rally in the so-called magnificent seven (e.g. Nvidia; Microsoft) faded somewhat. Within, EM, the Chinese recovery underwhelmed, sentiment declined, and the property sector stresses remained. Global risk-off sentiment also had an impact on EM equities. In Q4, markets were positive, supported by expectations that interest rate cuts may be approaching and expectations of a global soft landing. Within equities, developed markets outperformed emerging markets. Overall EM equities were strong, but EM is still negatively impacted by China, which continues to underperform due to ongoing stresses in the property sector. In Q1 2024, markets were positive driven by continued speculation surrounding artificial

intelligence (AI) and broadly positive corporate earnings. Japanese equities also continued to rally on the back of stronger corporate earnings linked to higher nominal growth. Within equities, developed markets (DM) continued to outperform emerging markets (EM). DM equities continued to rally despite upside surprises in inflation data and rising bond yields. Emerging markets equities saw positive returns driven by a rebound in China, which was supported by better-than-expected activity data, fiscal stimulus, and looser monetary policy. South Korea and Taiwan was also supportive as Korea benefited from the announcement of tax reform proposals while in Taiwan, enthusiasm for AI continued to boost the tech sector. Saudi Arabia also performed strongly as oil prices rose over the Quarter.

Overall, the positive momentum throughout the year has been driven by lower inflation data, positive earnings, and economic activity data.

## Bonds

On a year-on-year basis to 28 March 2024, UK government bond returns were flat, while returns for UK corporate bonds were 6.1%. Inflation-linked bonds

performed poorly over the year with negative returns. During the 12 months to March 24, global sovereign bond yields moved higher as central banks tightened monetary policy to combat rising inflation. The Bank of England (BOE) continued to hike rates in the second and third quarter of 2023 as core inflation remained sticky and the labour market showed no signs of cooling. The BOE raised its policy rate to 5.25% by September. In Q4 2023 and Q1 2024, the BOE did not raise rates but left policy in restrictive territory. UK headline inflation eased as low as 3.4% in February 2024 from a peak of 11% in October 2022. Over the 12-month period to March 2024, the UK 10-year gilt yield rose from 3.49% to 3.93% as the outlook for the UK economy improved.

UK real yields rose during the 12-month period under review. Yields began to rise through Q2 and Q3 2023 from near zero levels to as high as 0.75%, before easing to 0.3% by end-March 2024. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, rose marginally by 7bps over the 12-month period, reaching 3.65%. For context, the multi-decade high for 10-year UK breakeven inflation was in April 2022,

when market-based measures of inflation expectations were 4.45%.

Both investment grade and high yield credit spreads tightened over the 12-month period to March 2024. Lower rated credit tightening more than for higher rated credit.

### Property

As of April 2024, the UK property market has seen the strongest value corrections of all major real estate markets. Optimism is beginning to return, but tight lending conditions and an uncertain economic outlook contribute to the continue to act as headwinds. In addition, the UK investor base is going through considerable consolidation as many UK Corporate DB pension funds look to decrease their property allocations. As a result, sellers outnumber buyers for traditional long-hold properties.

The MSCI UK Monthly Property Index reported a negative gross total return of -0.1% for the 3-month period ending in February 2024. The industrial and residential sectors continued to outperform, with returns of 0.6% and 0.3% respectively, consistent with the preceding three

months. The retail sector saw positive returns for the three months, due to the relatively high income returns, while offices remained the weakest performing sector. During Q4 2024, the MSCI/AREF UK Quarterly Fund Index recorded a net total return of -1.1%. Long Income funds underperformed compared to the Balanced and Specialist funds during 2023 as increased transaction activity weighed on performance as a result of raising cash to meet redemptions.

Investment volumes averaged £3.4 billion per month in 2023. This compares to an average of £5.6 billion per month during 2022. The third and fourth quarter of 2023 both recorded transactions of just under £10 billion. Year-on-year volumes remain subdued, with volumes in 2023 c.40% lower than in 2022, but with Q4 volumes c.22% lower than the year before. Buying activity was strongest by value in the office sector in 2023 but fell the most, with volumes in the industrial sector coming close to that of offices. The retail sector saw the smallest drop in transaction volumes in 2023, coming off a relatively low base.

### Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned 22.5%. Meanwhile, a return of 6.2% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 13.8% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 8.4%. The FTSE USA index returned 27.3% while the FTSE Japan index returned 22.3%. The considerable outperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2024.

### Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returns were flat, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -4.6% over the year. Yields at the longer end of the nominal yield curve rose less than the shorter end but this was offset by the duration impact on the longer-dated gilt returns. The yield for the FTSE

Gilts All Stocks index rose over the year from 3.7% to 4.2% while the Over 15 Year index yield rose from 3.8% to 4.3%.

The FTSE All Stocks Index-Linked Gilts index returned -5.0% with the corresponding over 15-year index exhibiting a return of -11.9%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned 6.1%. Bond market total return figures are in Sterling terms over the 12-month period to 31 March 2024.

### Property

Over the 12-month period to 31 March 2024, the MSCI UK All Property Index returned 0.3% in Sterling terms.

### Commodities

The price of Brent Crude Oil rose 9.6% from \$79.76 to \$87.42 per barrel over the one-year period. Over the same period, the price of Gold rose 12.0% from \$1976.50 per troy ounce to \$2214.30. The S&P GSCI Commodity Spot Index returned -0.7% over the one-year period to 31 March 2024 in Sterling terms.

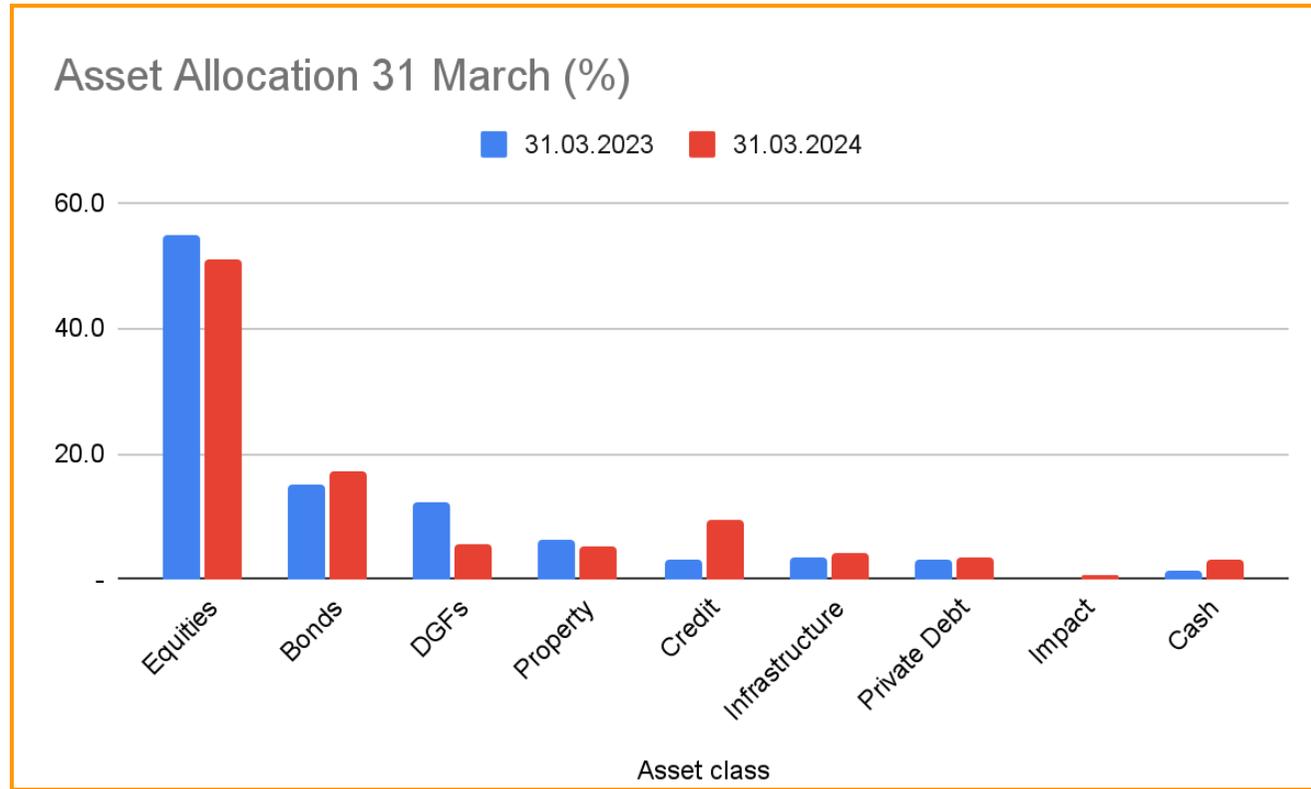
### Currencies

Over the 12-month period to 31 March 2024, Sterling appreciated by 2.2% against the US Dollar from \$1.24 to \$1.26. Sterling appreciated by 16.2% against the Yen from ¥ 164.56 to ¥ 191.19. Sterling appreciated against the Euro by 2.8% from €1.14 to €1.170 per the same period.

### **Total Fund Performance**

The table overleaf shows the approved target allocations of individual asset classes against the actual allocations for the two most recent years ending 31 March. The Panel agreed a revised asset allocation for 2023/24 onwards at the March 2023 Panel meeting, enabling the Fund to continue its de-risking approach as the Fund had in excess of a 100% Funding level. The revised allocation also reflects the need for more income generating assets, such as impact investments, property, infrastructure and multi asset credit, as the fund matures. The revised allocation should offer the closest match to the desired target return, with the lowest predicted volatility and Value at Risk whilst incorporating Responsible Investment objectives. In addition, wherever possible, the preference is to select pooled funds available via the London CIV unless there is a strong reason not to.

Asset class	Asset Allocation	Asset Allocation	Strategic Asset Allocation	Variance from Strategic Asset Allocation
	31.03.2023	31.03.2024	31.03.2024	31.03.2024
Equities	55.0	50.8	40.0	10.8
Bonds	15.2	17.3	15.0	2.3
DGFs	12.2	5.5	6.0	(0.5)
Property	6.3	5.3	8.0	(2.7)
Credit	3.1	9.4	10.0	(0.6)
Infrastructure	3.5	4.1	7.5	(3.4)
Private Debt	3.3	3.5	5.0	(1.5)
Impact		0.8	8.5	(7.7)
Cash	1.3	3.2	-	3.2
	<b>100</b>	<b>100</b>	<b>100</b>	<b>-</b>



The market value of the investment assets under the management of each fund manager as at 31 March 2023 and 31 March 2024 is shown overleaf.

The main changes during the year were a new allocation to Impact funds, namely the LCIV Housing Fund and the LCIV London Fund, an increased allocation to LCIV Global Bond Fund, and an increased allocation to Multi Asset Credit. This was funded by reducing the Fund's investments in Diversified Growth Funds and Equities.

	31 March 2023	31 March 2024
Fund Manager	Market Value	Market Value
	£'000	£'000
<b>Investments pooled or deemed pooled with London Collective Investment Vehicle</b>		
LCIV Global Total Return Fund (Pyrford International)	50,093	-
LCIV Diversified Growth Fund (Baillie Gifford)	36,387	-
LCIV Absolute Return Fund (Ruffer)	46,826	67,853
LCIV Private Debt (Pemberton & Churchill)	37,858	42,970
LCIV Global Bond Fund (PIMCO)	95,187	138,480
LCIV Multi Asset Credit Fund (CQS & PIMCO)	33,940	114,995
LCIV Renewable Infrastructure Fund	38,068	50,077
LCIV London Fund	-	9,954
LCIV Housing Fund	-	150
Legal & General - Future World Global Equity Index Fund	158,906	192,986
Sub total	338,359	617,465
<b>Investments managed outside of London Collective Investment Vehicle</b>		
UBS Global Asset Management	43,430	40,049
Fidelity Pensions Management	184,410	229,024
Columbia Threadneedle Investments - Global Equity Fund	256,356	203,400
M&G Investments	25,557	25,323
Janus Henderson Investors - Total Return Bond Fund	38,937	72,573
Janus Henderson Investors - All Stocks Credit Fund	31,801	-
Federated Hermes Money Market Fund	-	34,773
Sub total	739,398	605,142
<b>Total</b>	<b>1,077,757</b>	<b>1,222,607</b>

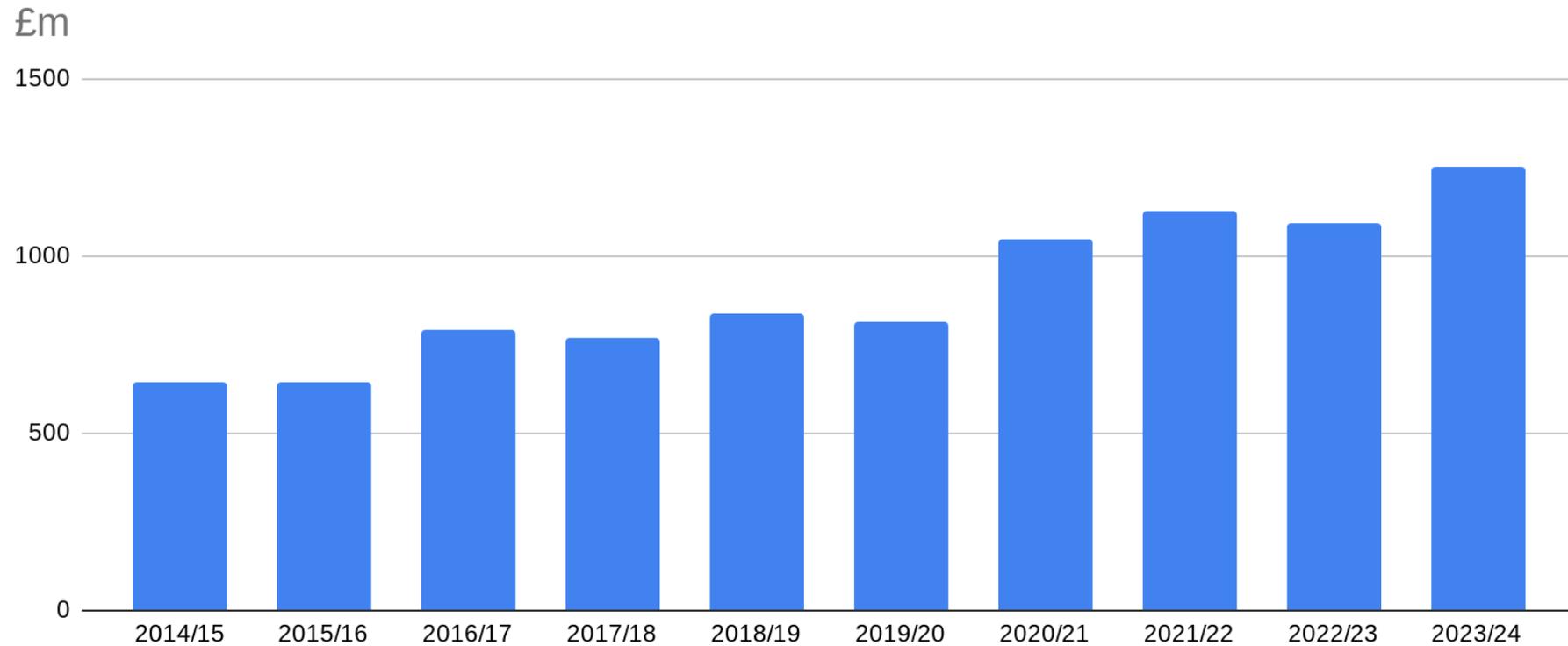
Each fund manager has been set a specific benchmark (excluding LCIV Infrastructure Fund and LCIV Private Debt Fund), as well as a performance target against which they will be measured. This is shown in the table below:

Manager	Asset Pool	Mandate	Benchmark	Performance Target
Fidelity		Global equities	MSCI All Countries World Index	+ 1.5% above benchmark over rolling 3 year period (net-of-fees)
Columbia Threadneedle		Global equities	MSCI All Countries World Index	+ 3.0% above benchmark over rolling 3 year period (gross-of-fees)
LGIM		Global equities	Solactive L&G ESG Global Markets Index	Match benchmark
London CIV - Ruffer	yes	Absolute Return Fund	SONIA (30 day compounded)	+ 3% p.a.
UBS		Property	MSCI All Pooled Property Funds Median	Outperform benchmark over rolling 3 year period (gross-of-fees)
M&G		Property	No benchmark	+6% p.a. on long-term basis*
London CIV - Renewable Infrastructure	yes	Impact	No benchmark	+7 - 10% p.a.
London CIV – UK Housing Fund	yes	Impact	No benchmark	+ 6% p.a.
London CIV - The London Fund	yes	Impact	CPI	+ 3% p.a.

Manager	Asset Pool	Mandate	Benchmark	Performance Target
London CIV – Private Debt	yes	Private debt	No benchmark	+ 6 - 8% p.a.
London CIV – CQS & PIMCO	yes	Multi Asset Credit Fund	SONIA (30 day compounded)	+ 4.5% p.a
Janus Henderson Investors (TRB)		Bonds	SONIA	+ 2.5 % p.a. (over 5 year period)
London CIV – Global Bonds	yes	Bonds	Bloomberg Global Aggregate Credit (GBP Hedged) Index	-

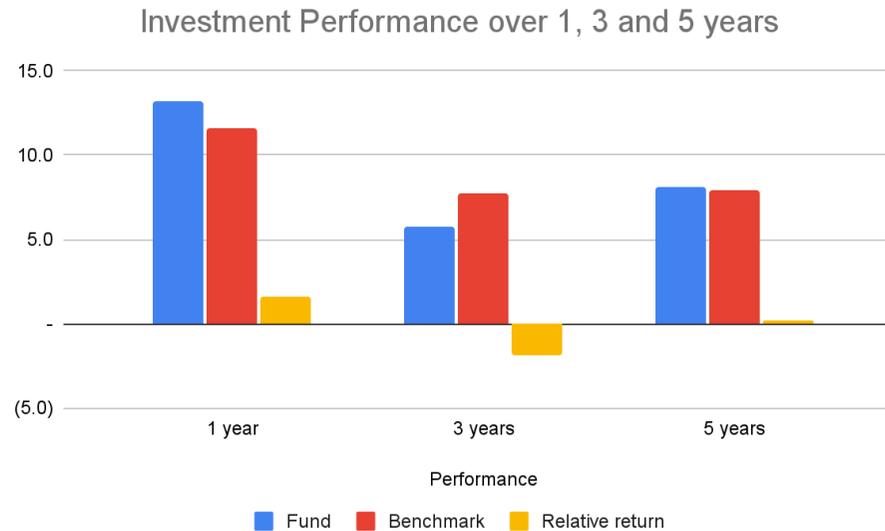
\*self-imposed target

## NET ASSET FUND VALUE OVER 10 YEARS



The following table provides comparative analysis of manager's performance over 1 year, 3 year and 5 years at total Fund level. In the year to 31 March 2024 the Fund made a positive return of 13.2% while the benchmark return was positive 11.6%. The Fund's performance has been strong and slightly above the benchmark over the longer term period of 5 years.

Performance	1 year	3 years	5 years
Fund	13.2	5.8	8.1
Benchmark	11.6	7.7	7.9
Relative return	1.6	(1.9)	0.2



Analysis of the Universe of LGPS funds carried out by the Performance Monitoring Consultants (PIRC), has showed that average fund returns delivered 9.2% (1 year), 5.3% (3 years), and 6.5% (5 years). Detailed analysis shows that the Royal Borough of Kingston Pension Fund was in the 8th, 25th, and 3rd percentile respectively.

### Fund Manager Performance

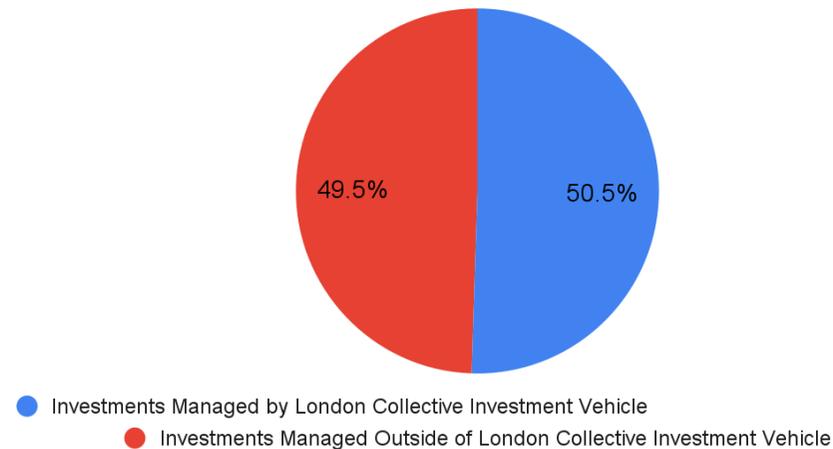
The table overleaf provides comparative analyses over 1 year, 3 years and 5 years at fund manager level against the relevant Council benchmarks.

Fund Manager	1 year performance			3 year performance			5 year performance		
	Fund Return	Benchmark Return	Relative return	Fund Return	Benchmark Return	Relative return	Fund Return	Benchmark Return	Relative return
<b>London Collective Investment Vehicle:</b>									
LCIV Absolute Return Fund (Ruffer)	(6.0)	6.8	(12.8)	0.7	3.1	(2.4)	5.0	2.0	3.0
LCIV Private Debt (Pemberton & Churchill)	7.4	10.6	(3.2)	-	-	-	-	-	-
LCIV Global Bond Fund (PIMCO)	6.3	4.9	1.4	-	-	-	-	-	-
LCIV Multi Asset Credit Fund (CQS & PIMCO)	11.4	6.9	4.5	3.0	3.1	(0.1)	3.3	2.3	1.0
LCIV Renewable Infrastructure Fund	(2.4)	0.5	(2.9)	-	-	-	-	-	-
Legal & General - Future World Global Equity Index Fund	21.3	21.1	0.2	-	-	-	-	-	-
<b>Other Managers:</b>									
UBS Global Asset Management	(1.0)	(0.5)	(0.5)	1.9	1.3	0.6	2.1	1.2	0.9
Fidelity Pensions Management	24.1	21.1	3.0	11.7	10.7	1.0	13.4	12.1	1.3
Columbia Threadneedle Investments - Global Equity Fund	28.4	21.1	7.3	9.9	10.7	(0.8)	13.2	12.1	1.1
M&G Investments	(1.3)	6.0	(7.3)	1.2	6.0	(4.8)	-	-	-
Janus Henderson Investors - Total Return Bond Fund	3.2	7.4	(3.2)	(1.6)	4.9	(6.5)	1.2	4.1	(2.9)

## 6. ASSET POOLS

In 2015 the Government announced that the 89 LGPS funds nationally should pool their assets into 8 regional asset pools of at least £25bn each, which would have the key objective of delivering management fee savings while maintaining investment performance. In addition, the benefits of scale would allow individual LGPS funds to access investments in illiquid assets such as infrastructure without an expensive management arrangement. In London the 32 boroughs and the City of London Corporation are shareholders of the London Collective Investment Vehicle (LCIV). LCIV is the asset pooling body set up originally by London Councils. Its objective is to provide funds that meet the investment strategies required by the different LGPS funds in London and to appoint and monitor fund managers to ensure that fee savings are achieved without impacting on performance. As well as appointing active managers, LCIV provides access to lower cost index-tracker funds managed by Blackrock and Legal and General Investment management. LCIV has also been increasing its fund range in less liquid asset classes such as renewable energy infrastructure and private debt over the last year.

Royal Borough of Kingston Investment in London CIV and External Managers at 31.03.2024



The reduction in the management fees of individual managers will also need to cover the running costs of LCIV. The table below shows that the Fund is making contributions to the running costs of LCIV by paying an annual subscription and a development

charge. LCIV has been operating for 10 years and during 2023/24 the development funding charge was reduced for the first time as the assets under management has increased. LCIV currently has 24 funds with £31.6bn of assets under management.

	2015/16 - 2018/19 Amalgamated	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Set up Costs</b>							
Share purchase	150	-	-	-	-	-	150
Annual subscription	120	30	25	25	25	25	250
Development Funding charge	155	65	85	85	85	76	551
Management Fees	-	-	-	53	111	100	264
Fee Savings	(381)	(222)	(231)	(495)	(382)	(571)	(2,282)
<b>Net (Savings) / Costs Realised</b>	<b>44</b>	<b>(127)</b>	<b>(121)</b>	<b>(332)</b>	<b>(161)</b>	<b>(370)</b>	<b>(1,067)</b>

The table below show the Fund's assets by asset class split between investments managed by the pool, investments deemed pooled and investments outside of the pool. Over the last 3 years, the Royal Borough of Kingston Pension Fund has increased its investments managed by LCIV from 19.6% to 50.5% of total investments by market value, including both direct investments through London CIV and indirectly managed through passive investments.

Asset Values as at 31 March 2024	Pooled	Under Pool Management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Equities	-	192,986	427,988	<b>620,974</b>
Fixed Income	138,480	-	72,573	<b>211,052</b>
Property	10,104	-	64,864	<b>74,968</b>
Credit	114,995	-	-	<b>114,995</b>
Diversified Growth Funds	67,853	-	-	<b>67,853</b>
Private Debt	42,970	-	-	<b>42,970</b>
Infrastructure	50,077	-	-	<b>50,077</b>
Cash and Cash Equivalent	-	-	39,717	<b>39,717</b>
<b>Total</b>	<b>424,478</b>	<b>192,986</b>	<b>605,142</b>	<b>1,222,607</b>

The table below shows how the management costs of the funds managed by LCIV compare with those of the Fund's other managers. The asset classes the Fund invests in through the LCIV are mainly in private markets and therefore more expensive than the asset classes held outside of the LCIV, for example equities.

	<b>Asset Pool</b>	<b>Non-Asset Pool</b>	<b>Fund</b>
	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Management fees	2,554	1,658	<b>4,212</b>
Transaction costs	1,256	374	<b>1,630</b>
Custody fees	0	47	<b>47</b>
Performance fees	0	-67	<b>-67</b>
<b>Total</b>	<b>3,809</b>	<b>2,012</b>	<b>5,822</b>

## 7. SCHEME ADMINISTRATION

### Service arrangements

The shared pensions administration service was formed on 1 April 2016 to provide the Local Government Pension Scheme (LGPS) administration function for both the Sutton Pension Fund and the Kingston Pension Fund. The shared service is hosted (employed) by Sutton Council and delivers its services to a total membership of circa 38,230 and 99 employers across the two funds.

The service has the responsibility to:

- Publish annual benefit statements to active and deferred members
- Publish pension savings statements to affected members
- Apply the annual pensions increase as directed by HM Treasury
- Maintain a membership database
- Process tasks (such as, retirements and transfers in and

out) in accordance with the performance standards

- Maintain a 'breaches of law' register and notify The Pension Regulator of any materially significant breaches
- Ensure that any internal dispute resolution procedure and corporate complaint cases are dealt with in a timely manner

The member self-service portal (Pensions Online) can be accessed at [pensions.sutton.gov.uk](https://pensions.sutton.gov.uk). For more information, please search 'LGPS' on [www.sutton.gov.uk](https://www.sutton.gov.uk).

### Summary of activities

During the year the Fund has managed the following key projects/major pieces of work alongside its annual tasks (such as publishing annual benefit statements, applying pension increase, etc):

### McCloud remedy project

In 2014 and 2015 the Government introduced changes to public service pension schemes, including the LGPS, for future service, moving from final salary to career average revalued earnings (CARE) benefits and increasing the normal pension age to be in line with state pension age. The changes applied to existing members as well as new joiners, but older members were given protection against the changes. The Court of Appeal ruled that, in the Judges and Firefighters' Schemes, these changes were discriminatory against younger members and so the Government gave a commitment to make changes to all public service pension schemes to remove discrimination. From 1 October 2023 LGPS regulations have been amended to remove this age discrimination in the form of a final salary underpin.

At a Fund level, administering authorities are in the process of: identifying those in scope of the extended underpin; obtaining the data needed to calculate final salary benefits from employers; updating scheme member records; calculating retrospective benefits; communicating with members and employers; paying any underpayments identified; and making changes to systems and administrative processes to carry out ongoing administration under the new regime.

During the financial year 2023 to 2024, the Fund has made good progress on the data collection element of the project and has started the process of validating the employer returns prior to loading them onto its membership database. The project is on-track and suitable resources have been assigned to manage it. Final deliveries of software are expected in Autumn 2024 to move the project onto the final stages.

#### Guaranteed Minimum Pensions (GMP) reconciliation project

Between April 1978 and April 1997 the minimum level of benefit payable to those that were contracted-out of the State Earnings Related Pension Scheme was known as a Guaranteed Minimum Pension (GMP), which still forms part of many members' benefits. Contracting-out ended in April 2016 and since then, HM Revenue & Customs (HMRC) no longer tracks contracted-out rights. HMRC issued closure schedules to all affected schemes so they could compare the GMP amounts held by HMRC against the scheme records and challenge any differences. This is known as a GMP reconciliation. If errors were identified, members may have been over or underpaid because the annual cost of living pension increases would have been misapplied.

Phase one of the exercise was completed in the Autumn of 2019, which analysed and investigated the scheme

records to reconcile the fund's GMP amounts with HMRC.

During the financial year 2023 to 2024, the fund has been working with a third party to deliver phase two of the project, which involves updating the affected members pension records. Good progress has been made with our software provider to correct member records and we expect the project to be completed in the 2024/25 financial year.

#### Pensions Dashboards project

The Department for Work and Pensions, via the Money and Pensions Service (MaPS), is creating a Pension Dashboard that will allow members to view their pension information securely, online and in one place. The aim is for the pension industry to provide clear and simple information about an individual's multiple pension savings, including their State Pension. All pension schemes in the UK, including the LGPS, need to connect to the dashboard ecosystem to provide pension members information in a secure

way. The staging date, the date by which our software needs to link to the dashboard, is October 2025.

The Fund's software provider has a working party for their LGPS clients to scope the requirements. The Fund has implemented a data improvement policy and is working on a project plan to deliver this project.

### **Value for money statement**

The Fund remains committed to enhancing value for money through its

shared service arrangements and keeps the level of resources on the team under constant review. At the end of the financial year 2023 to 2024 there was a benefits procession, data and systems and employer liaison and governance structure with 25.2 FTE positions serving the two Funds in the shared service (12.6 FTE per Fund). This total includes any vacant positions.

Improving data quality is vital to providing value for money services because poor data can impact the Fund's valuation of liabilities and also lead to overpayments

in individual cases. To mitigate this the fund has a data improvement policy and plan in place. Common and scheme-specific data scores are calculated and submitted to The Pensions Regulator annually. The 2023/24 scores were 94.8% and 70.54% respectively. In accordance with the data improvement policy, the Fund engages a data services provider to undertake monthly mortality screening and lost contact address tracing. The data improvement plan includes actions to identify bulk data solutions to resolve certain validation issues.

## Data analysis

### Membership data

Active	Deferred (inc. frozen refunds)	Pensioner	Undecided leaver	Total
5,916	8,420	5,366	Contained in active	19,702

### New pensioners

Normal retirement	Early retirement	Ill-health	Total
138	89	4	231

### Active employer numbers

Scheduled (inc. Kingston Council)	Admitted	Total
24	13	37

## 8. GOVERNANCE

### Role of the Pension Fund Panel

The Pension Fund Panel is responsible for all matters relating to the Pension Fund administered by Kingston Council on behalf of participating employers. The functions of the Panel, as set out in the Council's Constitution, are below:

#### Function

To consider reports from the Fund Manager(s) on investment strategy, fund performance, investment transactions and related matters and to give instructions to the Fund Manager(s) as necessary from time to time.

The Panel consists of five elected members of the Council and three non-elected scheme representatives. It meets four times per year. The membership of the Panel for the 2023/24 municipal year was:

Councillor Mark Beynon (Chair)  
Councillor Alison Holt (Vice-Chair)  
Councillor Patrick Hall  
Councillor Farshid Sadr-Hashemi  
Councillor Richard Thorpe  
Chris Coke  
Lesley Diston  
Garen Arevian

The below table summarises the Panel attendance and training during the 2023/24 municipal year:

	Councillor Mark Beynon	Councillor Alison Holt	Councillor Patrick Hall	Councillor Farshid Sadr-Hashemi	Councillor Richard Thorpe	Leslie Diston	Chris Coke	Garen Arevian
<b>Panel attendance</b>								
20 June 2023	✓	-	✓	✓	-	✓	-	N/A
20 September 2023	✓	✓	✓	-	-	✓	-	N/A
29 November 2023	✓	✓	✓	-	✓	✓	-	N/A
28 February 2024	✓	✓	✓	✓	✓	-	✓	✓

The training to provided to the Panel during the 2023/24 municipal year consisted of the following modules/topics:

	Councillor Mark Beynon	Councillor Alison Holt	Councillor Patrick Hall	Councillor Farshid Sadr-Hashemi	Councillor Richard Thorpe	Leslie Diston	Chris Coke	Garen Arevian
<b>Panel Training</b>								
Pensions Accounting and Audit Standards	-	✓	-	✓	✓	✓	-	N/A
Committee Role and Pensions Legislation	-	✓	-	✓	-	✓	-	N/A
Financial Markets and Product Knowledge	-	✓	-	✓	✓	✓	-	N/A
Procurement and Relationship Management	-	-	-	✓	✓	✓	-	✓
Impact Investment Training	✓	-	✓	✓	✓	✓	✓	N/A

## Role of Pension Board

The pension fund must operate a Local Pension Board. The Pension Board helps the pension fund comply with the LGPS rules, overriding pensions legislation and guidance from the Pensions Regulator. The Pension Board is made up of equal numbers of employer and member representatives. The Board's current terms of reference are:

### Function

The role of the Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Assist the Royal Borough of Kingston upon Thames (the Administering Authority) as the Scheme Manager; –
  - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
  - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
  - in such other matters as the LGPS regulations may specify
- Secure the effective and efficient governance and administration of the LGPS for the Royal Borough of Kingston upon Thames Pension Fund
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will also help ensure that the RBK Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Board consists of three scheme employer representatives and three scheme member representatives. It meets four times per year. The membership of the Board during the 2023/24 municipal year was:

Robert Ewing (Chair) - Employer representative  
Councillor Jackie Davies - Employer representative

Alexandra Harris - Employer representative  
 Raymond Harte - Member representative  
 Sam Burgess - Member representative  
 Pauline Lyseight-Jones - Member representative

The below table summarises the Board attendance during the 2023/24 municipal year:

	Robert Ewing	Councillor Jackie Davies	Alexandra Harris	Raymond Harte	Sam Burgess	Pauline Lyseight-Jones
<b>Board attendance</b>						
12 July 2023	-	✓	✓	✓	✓	✓
5 October 2023	✓	✓	✓	✓	✓	✓
13 December 2023	✓	-	✓	✓	✓	✓
13 March 2024	✓	✓	✓	✓	-	✓

The training provided to the Board during the 2023/24 municipal year consisted of the following modules/topics:

	Robert Ewing	Councillor Jackie Davies	Alexandra Harris	Raymond Harte	Sam Burgess	Pauline Lyseight-Jones
<b>Board Training</b>						
Pensions Accounting and Audit Standards	-	✓	✓	✓	✓	✓
Committee Role and Pensions Legislation	✓	✓	✓	✓	✓	✓

Financial Markets and Product Knowledge	✓	✓	✓	✓	✓	✓
Procurement and Relationship Management	✓	✓	✓	✓	✓	✓
Impact Investment Training (in person & virtual)	✓	-	✓	✓	-	-

### Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013 (as amended) require Funds to prepare, publish and maintain a Governance Compliance Statement and to measure their governance arrangements against a set of best practice principles. The assessment should provide a statement of “full”, “partial” or “non-compliance”, with further explanation provided for any non or partial compliance. The key issues covered by the best practice principles are:

- Formal committee structure
- Committee membership and representation
- Selection and role of lay members
- Voting rights
- Training, facility time and expenses

The Governance Compliance Statement is shown at Section 11.

### Risk Management

Responsibility for the Fund’s risk management strategy sits with the Pension Fund Panel. Significant emerging and persistent risks are recorded in the Pension Fund Risk Register, which is reviewed at each meeting of the committee. The register is also reviewed by the Pension Board in its role of assisting the Council with securing compliance with control arrangements.

Risks are identified from relevant sources of information, such as management reports and from reviews undertaken by

independent advisers. The actual scores are recorded in the risk register, along with gross and net risk scores (likelihood x impact) that determine the RAG ratings. The net score indicates the exposure arising from a risk after mitigation measures have been applied.

The Fund's key long-term risk is that assets fall short of liabilities such that there are insufficient assets to pay the pensions to members. Investment objectives are set by the Pension Fund Panel with the aim of maximising long-term investment returns within an agreed risk tolerance level to mitigate this risk.

Investment risk and performance are monitored and reviewed regularly by Council officers. The Pension Fund Panel reviews investment performance on a quarterly basis supported by its investment adviser, Mercer.

Third party risks, such as non or late payment of contributions, are monitored and managed by the Council.

Assurance over the systems operated by the Fund's investment managers and custodian is secured by obtaining relevant documentation, including reports about their internal control environment.

## 9. ACTUARIAL REPORT

The Pension Fund is required by regulations to have an assessment every 3 years of its pension liabilities and the assets available to pay for them. The last triennial valuation took place in 2022 and in summary the Fund had a surplus of £110m which represents a funding level of 111%. This compares with a funding level of 95% at the previous valuation in 2019.

The full valuation report can be found here: <https://www.kingston.gov.uk/finance-budgets/pensions>.

The next full valuation is due as at 31 March 2025.

## 10. EXTERNAL AUDIT REPORT

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KINGSTON UPON THAMES ON THE PENSION FUND ACCOUNTS INCLUDED WITHIN THE PENSION FUND ANNUAL REPORT

#### Opinion

We have examined the Pension Fund Financial Statements of The Royal Borough of Kingston Upon Thames Pension Fund ("the Pension Fund") for the year ended 31 March 2024 included in the Pension Fund Annual Report, which comprise the Fund Account, the Net Assets Statement and the related notes to the Pension Fund Accounts, including the summary of significant accounting policies.

In our opinion, the Pension Fund Accounts included in the Pension Fund Annual Report are consistent, in all material respects, with the Pension Fund Accounts included in the annual statement of accounts of The Royal Borough of Kingston Upon Thames ("the Authority") for the year ended 31 March 2024 that were approved on 13 March 2025.

#### Executive Director of Corporate Services' responsibilities

As explained more fully in the Statement of the Executive Director of Corporate Services' Responsibilities, the Executive Director of Corporate Services is responsible for the preparation of the Pension Fund Financial Statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

#### Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the Pension Fund Accounts included in the Pension Fund Annual Report with the Pension Fund accounts included in the annual statement of accounts of the Authority.

In addition, we read the other information contained in the Pension Fund Annual Report and, if we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office in November 2024.

We have not considered the effects of any events between the date we signed our audit report on the annual statement of accounts of the Authority on 14 March 2025 and the date of this report.

Our audit report on the Authority's annual published statement of accounts that we issued on 14 March 2025 describes the basis of our opinion on those financial statements.

### **The purpose of our work and to whom we owe our responsibilities**

This auditor's statement is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in such a statement 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 members of the Authority, as a body, for our work, for this statement, or for the opinions we have formed.



Joanne Lees  
**for and on behalf of KPMG LLP**  
Chartered Accountants  
15 Canada Square  
E14 5GL

19 June 2025

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# 11. Pension Fund Accounts

**These show the income and expenditure of the Royal Borough of Kingston upon Thames Local Government Pension Fund in relation to current employees and pensioners, investment transactions and the position of the Fund at year end including future liabilities.**

## Fund Account for the year ended 31 March 2024

2022/23			2023/24
£'000		Note	£'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(39,065)	Contributions	7	(44,500)
(4,655)	Transfers in from other pensions funds	8	(9,995)
<b>(43,720)</b>			<b>(54,495)</b>
36,086	Benefits	9	38,619
5,252	Payments to and on account of leavers	10	4,475
<b>41,338</b>			<b>43,094</b>
<b>(2,382)</b>	<b>Net (additions) / withdrawals from dealings with members</b>		<b>(11,401)</b>
10,150	Management expenses	11	7,348
<b>7,768</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>(4,053)</b>
	<b>Returns on Investments</b>		
(12,921)	Investment income	12	(20,517)
52	Taxes on income	13	54
39,552	(Profit) loss on disposal of investments and changes in the market value of investments	16b	(132,726)
<b>26,683</b>	<b>Net Return on Investments</b>		<b>(153,189)</b>
34,451	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>(157,242)</b>
<b>(1,127,544)</b>	Opening Net Assets of the Scheme		<b>(1,093,093)</b>
<b>(1,093,093)</b>	Closing Net Assets of the Scheme		<b>(1,250,335)</b>

The accompanying notes form part of the financial statements.

## Net Assets Statement for the year as at 31 March 2024

2022/23		Note	2023/24
£'000			£'000
150	Long-term assets		150
1,077,925	Investment assets	14	1,226,734
(168)	Investment liabilities	14	(4,127)
<b>1,077,907</b>	<b>Total Net Investments</b>		<b>1,222,757</b>
17,733	Current assets	20	29,515
(2,547)	Current liabilities	21	(1,937)
<b>1,093,093</b>	<b>Net Assets of the Fund available to fund benefits at the end of the reporting period</b>		<b>1,250,335</b>

The accompanying notes form part of the financial statements.

# Notes to the Pension Fund Accounts

## PF Note 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.

The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The LGPS is a contributory defined benefit pension scheme established in accordance with statute, which provides pensions and other benefits for pensionable employees of

the Royal Borough of Kingston-upon-Thames and the admitted and scheduled bodies in the Fund. Teachers are not included as they are entitled to other national pension schemes.

The benefits offered by the LGPS include retirement pensions, early payment of benefits on medical grounds, and payment of death benefits where death occurs either in service or in retirement.

### b) Pension Fund Panel

The Council has delegated all matters relating to the Fund to the Pension Fund Panel. Its core functions include deciding upon the investment strategy, approving policy statements, and monitoring performance. The Panel is made up of five Members of the Council each of whom has voting rights and three other non-elected observer members (with voting dispensation until May 2026).

The Panel considers the views of the S151 Officer and obtains, as necessary, advice from the Fund's appointed investment advisers including an independent investment advisor, fund managers and actuary. The

implementation of these decisions is delegated to the S151 Officer.

### c) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Royal Borough of Kingston-upon-Thames Pension Fund include:

- Scheduled bodies which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

## PF Note 1 - Description of the Fund (continued)

Active Scheme employers at 31 March 2024 included the Administering Authority and LEA schools. Other participating organisations were as follows:

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
Bedelsford School	Southborough High School	Achieving for Children pool:
Castle Hill Primary School	St Agatha's Catholic Primary School	<ul style="list-style-type: none"> <li>• <i>Achieving for Children</i></li> </ul>
Chessington School	St Philip's School	<ul style="list-style-type: none"> <li>• <i>Achieving for Children (Windsor and Maidenhead)</i></li> </ul>
Coombe Academy Trust pool:	The Hollyfield School and Sixth Form Centre	Balance Support CIC
<ul style="list-style-type: none"> <li>• <i>Coombe Boys' School</i></li> </ul>	The Holy Cross School	Culinera (Fern Hill Primary School)
<ul style="list-style-type: none"> <li>• <i>Coombe Girls' School</i></li> </ul>	The Kingston Academy	DB Services (Tiffin School)
<ul style="list-style-type: none"> <li>• <i>Green Lane Primary and Nursery School</i></li> </ul>	The Spring School	Gold Care Homes
<ul style="list-style-type: none"> <li>• <i>Knollmead Primary School</i></li> </ul>	The Tiffin Girls' School	Hayward Services (Tolworth Girls' School and Sixth Form)
<ul style="list-style-type: none"> <li>• <i>Robin Hood Primary and Nursery School</i></li> </ul>	Tiffin School	Independent Catering (Coombe Academy Trust)
Dysart School	Tolworth Girls' School and Sixth Form	Innovate Services (Southborough High School)
Fern Hill Primary School		London Grid for Learning

<b>Scheduled bodies</b>	<b>Scheduled bodies (cont.)</b>	<b>Admission bodies</b>
Kingston University		YBC Cleaning Services (Facilities Management)
Latchmere School		YBC Cleaning Services (Housing)
Richard Challoner School		Your Healthcare CIC

## PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2022/23		2023/24
No.		No.
36	Number of Employers with active members	37
<b>Active Members</b>		
2,499	Royal Borough of Kingston-upon-Thames	2,632
2,327	Scheduled bodies	2,354
750	Admitted bodies	930
5,576		5,916
<b>Deferred Members</b>		
4,674	Royal Borough of Kingston-upon-Thames	4,807
2,809	Scheduled bodies	3,033
489	Admitted bodies	580
7,972		8,420
<b>Pensioner Members</b>		
3,894	Royal Borough of Kingston-upon-Thames	3,988
1,099	Scheduled bodies	1,171
195	Admitted bodies	207
5,188	-	5,366
<b>18,736</b>	<b>Total</b>	<b>19,702</b>

## PF Note 1 - Description of the Fund (continued)

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

Key details of the scheme's variants are shown in the table below:

	Service pre 1 April 2008	Service 1 March 2008 to 31 March 2014	Service post 31 March 2014
<b>Pension</b>	Accrual rate per annum of 1/80th of final pensionable pay	Accrual rate per annum of 1/60th of final pensionable pay	Accrual rate per annum of 1/49th of current year's pensionable pay
<b>Lump sum</b>	Automatic lump sum of 3 x pension. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	No automatic lump sum. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	

A range of other benefits are also provided including early retirement, ill-health pensions and death benefits. Further information is available at <https://www.lgpsmember.org>

### e) Funding

Benefits are funded by contributions and investment earnings. 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 ending 31 March 2024. Under the current scheme, members can opt for the 50:50 option where they pay half their contributions for half the benefits.

Employers' contributions are set based on triennial actuarial funding valuations. Employer contribution rates payable from 1 April 2023 were set by the triennial valuation as at 31 March 2022, the results of which were published on 31 March 2023. In 2023/24, employer contribution rates ranged from 0.0% to 27.8% of pensionable pay.

## PF Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position as at 31 March 2024. The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' (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 continuation of service principle applies and these accounts have consequently been prepared on a going concern basis. The pension fund is a statutory backed scheme and also backed by an administering authority with tax raising powers.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not provide 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.

### 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 2024 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.
- The value of Pooled Investment Vehicles have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- 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.

## PF Note 3 - Summary of significant accounting policies

### Fund account – revenue recognition

#### a) Contribution Income

Normal contributions, both from members and employers, 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.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

#### 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 or out are accounted for when received or 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.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

#### 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. Income from pooled investment vehicles which are held in accumulation share classes is retained within the pooled investment vehicle and therefore not recognised as investment income. This is instead reflected in the Change in Market Value of Investments (CIMV).

##### • 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.

### 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.

## PF Note 3 - Summary of significant accounting policies (continued)

### 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, Note 12, is shown gross of irrecoverable taxes deducted. 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 Expenses (2016)*.

- 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.

- 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 the investments under their management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included here.

Catch-up payments or additional contributions made to equalize an investor's capital position with other investors are recognized as investment management expenses when incurred. Such payments are considered administrative in nature and do not form part of

the financial asset's fair value or the investor's capital contribution.

### 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) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

#### i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances

are short-term, highly liquid investments that are readily convertible to known amounts of

cash and are subject to minimal risk of changes in value.

## PF Note 3 - Summary of significant accounting policies (continued)

### **j) Financial liabilities**

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments. Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

### **k) 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).

### **l) Additional Voluntary Contributions**

The 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.

### **m) Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

## PF Note 4 - Critical judgements in applying accounting policies

Critical judgements are those decisions other than estimation uncertainty that have the most significant impact on the financial statements. They represent decisions about how the authority has applied an accounting policy to a particular transaction, rather than about how that transaction has been valued. There were no such critical judgements made during 2023-24.

## PF Note 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:

## PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions 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.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension fund liability for the Royal Borough of Kingston Pension Fund can be measured. For example a 0.1% decrease in the discount rate assumption would result in an approximate increase of £20m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £43m; a 0.1% increase in the Pension Increase Rate (CPI) would increase the liability by approximately £19m and a 0.1% increase in the salary rate would increase the liability by approximately £1m.</p>
McCloud	<p>There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. Following consultation by government, the key features of the proposed remedy include levelling up benefits for the younger members who suffered discrimination using a form of final salary underpin. Final regulations came into force from 1 October 2023.</p>	<p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council's actuaries have applied the same assumptions as used to prepare the IAS26 report to the remedies in the GAD review which indicate a potential increase in pension liabilities of 0.3%. This figure is based on a worst case scenario and the impact will be reduced if the remedies proposed are not as extensive as in the original GAD report.</p>
Pooled property, infrastructure and private debt funds	<p>The assets held by the Pension Fund include properties and assets managed by Fund Managers on a pooled basis. As the assets are unquoted, values are estimated by Fund Managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. The property, infrastructure and private debt funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so will be treated as level 3.</p>	<p>The potential impact of this uncertainty cannot be measured accurately. The total of level 3 funds held by the Pension Fund are valued at £168.0m, and the variation around this value is estimated to be +/- 10%, which equates to +/- £16.8m.</p>

## PF Note 6 - Events after the reporting period end

There are no material adjusting or non-adjusting events after the reporting period end.

## PF Note 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

### Category

2022/23		2023/24
£'000		£'000
(9,468)	<b>Employees' contributions</b>	(10,467)
	<b>Employers' contributions</b>	
(26,323)	Normal Contributions	(28,768)
(2,895)	Deficit Recovery Contributions	(4,969)
(379)	Augmentation Contributions	(296)
<b>(39,065)</b>		<b>(44,500)</b>

### Authority

2022/23		2023/24
£'000		£'000
(16,662)	Royal Borough of Kingston Upon Thames	(20,142)
(16,209)	Scheduled bodies	(16,614)
(6,194)	Admitted bodies	(7,744)
<b>(39,065)</b>		<b>(44,500)</b>

## PF Note 8 - Transfers in from other pension funds

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(4,270)	Individual transfers	(9,995)
(385)	Group transfers	-
<b>(4,655)</b>		<b>(9,995)</b>

## PF Note 9 - Benefits payable

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

### Category:

2022/23		2023/24
£'000		£'000
30,423	Pensions	33,871
4,826	Commutation and Lump sum retirement benefits	3,799
837	Lump sum death benefits	949
<b>36,086</b>		<b>38,619</b>

### Authority:

2022/23		2023/24
£'000		£'000
25,712	Royal Borough of Kingston Upon Thames	27,125
8,644	Scheduled bodies	9,522
1,730	Admitted bodies	1,972
<b>36,086</b>		<b>38,619</b>

## PF Note 10 - Payments to and on account of leavers

2022/23		2023/24
£'000		£'000
152	Refunds to members leaving service	178
5,100	Individual transfers	4,297
<b>5,252</b>		<b>4,475</b>

## PF Note 11 - Management expenses

2022/23		2023/24
£'000		£'000
1,116	Administration Expenses	1,315
8,858	Investment Management Expenses	5,822
176	Oversight and Governance	211
<b>10,150</b>		<b>7,348</b>

Management expenses for 2023/24 exclude costs that have not been directly incurred by the fund, either by being deducted from the net asset value of investments or by being deducted from income. This represents a change in how these costs have been presented in prior years.

## PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS. The figures below include management costs and embedded transaction costs deducted from the net asset value or from investment income.

2022/23		2023/24
£'000		£'000
5,578	Management Fees	4,212
35	Performance Fees	(67)
58	Custody Fees	47
3,187	Transaction Costs	1,630
<b>8,858</b>		<b>5,822</b>

## PF Note 11b - External audit costs

2022/23		2023/24
£'000		£'000
41	External Audit Costs	65
<b>41</b>		<b>65</b>

## PF Note 12 - Investment income

2022/23		2023/24
£'000		£'000
(3,263)	Equity Dividends	(3,130)
	Pooled Investments:	
(3,749)	- Fixed Income	(5,040)
(1,282)	- Property	(1,533)
(1,311)	- Credit	(7,777)
(2,924)	- Diversified Growth Funds	(1,024)
(153)	- Private Debt	-
(239)	Interest on Cash Deposits	(2,013)
<b>(12,921)</b>		<b>(20,517)</b>

## PF Note 13 - Taxes on income

2022/23		2023/24
£'000		£'000
52	Withholding tax - equities	54
<b>52</b>		<b>54</b>

## PF Note 14 - Investments

2022/23		2023/24
£'000		£'000
	<b>Investment assets</b>	
162,217	Equities	202,319
	<b>Pooled Investments</b>	
434,803	Equities	418,655
165,926	Fixed Income	211,053
66,989	Property	74,968
33,940	Credit	114,995
133,306	Diversified Growth Funds	67,853
37,858	Private Debt	42,970
38,068	Infrastructure	50,077
<b>910,889</b>		<b>980,571</b>
	<b>Other Investment Balances</b>	
3,917	Cash deposits	39,315
902	Accrued income and recoverable taxes	1,379
-	Amounts receivable for sales of investments	3,150
<b>1,077,925</b>	<b>Total Investment assets</b>	<b>1,226,734</b>
	<b>Investment liabilities</b>	
(168)	Amounts payable for purchases of investments	(4,127)
<b>1,077,757</b>	<b>Total Net Investments</b>	<b>1,222,607</b>

## PF Note 14a - Analysis of Pooled Investment Vehicles

2023/24	ACS	FCP-FIS Mutual Fund	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
- Equities				396,386	22,269		418,655
- Fixed Income	138,480					72,573	211,053
- Property		25,174	49,794				74,968
- Credit	114,995						114,995
- Diversified Growth Funds	67,853						67,853
- Private Debt			42,970				42,970
- Infrastructure			50,077				50,077
	<b>321,328</b>	<b>25,174</b>	<b>142,841</b>	<b>396,386</b>	<b>22,269</b>	<b>72,573</b>	<b>980,571</b>

ACS is a UK tax transparent collective investment scheme used by the LCIV. FCP-FIS - “Fonds Commun de Placement- Fonds d’Investissement Spécialisé” is a Luxembourg open-ended mutual fund. OEIC - “Open-ended Investment Company: an investment company that will issue (or redeem) shares on a regular basis in response to investor demand. SICAV - “Société d’investissement à capital variable”, similar to an OEIC but used in Europe.

## PF Note 14a - Analysis of Pooled Investment Vehicles (continued)

2022/23	ACS	FCP-FIS Mutual Fund	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
- Equities				415,262	19,541		434,803
- Fixed Income	95,187				31,801	38,937	165,925
- Property		25,557	41,432				66,989
- Credit	33,940						33,940
- Diversified Growth Funds	133,306						133,306
- Private Debt			37,858				37,858
- Infrastructure			38,068				38,068
	<b>262,433</b>	<b>25,557</b>	<b>117,358</b>	<b>415,262</b>	<b>51,342</b>	<b>38,937</b>	<b>910,889</b>

ACS is a UK tax transparent collective investment scheme used by the LCIV. FCP-FIS - “Fonds Commun de Placement- Fonds d’Investissement Spécialisé” is a Luxembourg open-ended mutual fund. OEIC - “Open-ended Investment Company: an investment company that will issue (or redeem) shares on a regular basis in response to investor demand. SICAV - “Société d’investissement à capital variable”, similar to an OEIC but used in Europe.

## PF Note 14b - Reconciliation of movements in investments

2023/24	Value 31 March 2023	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Equities	162,217	96,481	(96,363)	39,984	202,319
Pooled Investment Vehicles:					
- Equities	434,803	1,103	(105,145)	87,895	418,655
- Fixed Income	165,926	70,845	(31,122)	5,404	211,053
- Property	66,989	10,775	(756)	(2,040)	74,968
- Credit	33,940	77,707	(406)	3,753	114,995
- Diversified Growth Funds	133,306	36,709	(97,034)	(5,128)	67,853
- Private Debt	37,858	2,165	(366)	3,313	42,970
- Infrastructure	38,068	13,076	(613)	(454)	50,077
<b>Sub-total Investments</b>	<b>1,073,106</b>	<b>308,861</b>	<b>(331,805)</b>	<b>132,727</b>	<b>1,182,889</b>
Other Investment Balances:					
Cash deposits*	3,917				39,315
Amounts Receivable for Sales	-				3,150
Accrued income and recoverable taxes	902				1,379
Amount payable for Purchases	(168)				(4,127)
<b>Net Investment Assets</b>	<b>1,077,757</b>	<b>308,861</b>	<b>(331,805)</b>	<b>132,727</b>	<b>1,222,607</b>

\*Excludes cash held by Diversified Growth Funds

## PF Note 14b - Reconciliation of movements in investments (continued)

2022/23	Value 31 March 2022	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Equities	163,326	88,067	(86,285)	(2,891)	162,217
Pooled Investment Vehicles:					
- Equities	472,499	1,262	(20,452)	(18,506)	434,803
- Fixed Income	179,019	3,749	(531)	(16,311)	165,926
- Property	75,622	416	(1,685)	(7,364)	66,989
- Credit	35,509	1,311	(317)	(2,563)	33,940
- Diversified Growth Funds	152,181	2,924	(18,238)	(3,561)	133,306
- Private Debt	23,504	15,904	(3,942)	2,392	37,858
- Infrastructure	-	29,302	(488)	9,254	38,068
<b>Sub-total Investments</b>	<b>1,101,659</b>	<b>142,935</b>	<b>(131,938)</b>	<b>(39,550)</b>	<b>1,073,107</b>
Other Investment Balances:					
Cash deposits*	3,138	1,026.00	(251.00)	4.00	3,917
Amounts receivable for sales	862	-	(629.00)	(6.00)	-
Accrued income and recoverable taxes	923	85.00	(106.00)	-	902
Amounts payable for purchases	(410)	-	15.00	-	(168)
<b>Net Investment Assets</b>	<b>1,106,172</b>	<b>144,046</b>	<b>(132,909)</b>	<b>(39,552)</b>	<b>1,077,758</b>

\*Excludes cash held by Diversified Growth Funds

## PF Note 14c - Investments analysed by fund manager

31 March 2023			31 March 2024	
Market Value	% of total	Fund Manager	Market Value	% of total
£'000	%		£'000	%
<b>Investments pooled or deemed pooled with London Collective Investment Vehicle</b>				
50,093	4.6%	LCIV Global Total Return Fund (Pyrford International)	-	0.0%
36,387	3.4%	LCIV Diversified Growth Fund (Baillie Gifford)	-	0.0%
46,826	4.3%	LCIV Absolute Return Fund (Ruffer)	67,853	5.5%
37,858	3.5%	LCIV Private Debt (Pemberton & Churchill)	42,970	3.5%
95,187	8.8%	LCIV Global Bond Fund (PIMCO)	138,480	11.3%
33,940	3.1%	LCIV Multi Asset Credit Fund (CQS & PIMCO)	114,995	9.4%
38,068	3.5%	LCIV Renewable Infrastructure Fund	50,077	4.1%
-	0.0%	LCIV London Fund	9,954	0.8%
-	0.0%	LCIV Housing Fund	150	0.0%
		Legal & General - Future World Global Equity Index Fund	192,986	15.8%
338,359	31.3%	Sub total	617,465	50.5%
<b>Investments managed outside of London Collective Investment Vehicle</b>				
43,430	4.0%	UBS Global Asset Management	40,049	3.3%
184,410	17.1%	Fidelity Pensions Management	229,024	18.7%
256,356	23.8%	Columbia Threadneedle Investments - Global Equity Fund	203,400	16.6%
25,557	2.4%	M&G Investments	25,323	2.1%
158,906	14.7%	Legal & General - Future World Global Equity Index Fund	-	0.0%
38,937	3.6%	Janus Henderson Investors - Total Return Bond Fund	72,573	5.9%
31,801	3.0%	Janus Henderson Investors - All Stocks Credit Fund	-	0.0%
-	0.0%	Federated Hermes Money Market Fund	34,773	2.9%
739,398	68.6%	Sub total	605,142	49.5%
<b>1,077,757</b>	<b>100.0%</b>	<b>Total</b>	<b>1,222,607</b>	<b>100.0%</b>

## PF Note 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). 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, as set out in the table below.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

#### **Level 1**

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

#### **Level 2**

Quoted prices are not available and valuation techniques use inputs that are based significantly on observable market data. Investment assets classified at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not

considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

#### **Level 3**

At least one input that could have a significant effect on valuation is not based on observable market data. Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity/debt and infrastructure investments. Assurances over the valuations are gained from the independent audit of their accounts by their auditors.

## PF Note 15 - Fair value – basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Recognised at market value	Not required	Not required
Pooled investments - excluding pooled property funds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled investments - UK property funds where regular trading does not take place	Level 3	Valued by investment managers on a periodical basis using latest guidance	NAV based pricing set on a forward pricing basis with many unobservable inputs feeding into their calculations	Valuations could be affected by any changes to the values of the underlying properties, caused by changes to discount rate, estimated rental growth, vacancy levels etc
Pooled Infrastructure Investments	Level 3	EBITDA multiples, discounted cashflows, market comparable companies, replacement costs and adjusted net asset values	Discount factors, recent transaction prices, reported net asset values and fair value adjustments	Valuations could be affected by a range of variables , such as changes to expected cashflows, or the difference between audited and unaudited accounts
Private Debt	Level 3	Valued by underlying investment managers	NAV based pricing with many unobservable inputs feeding into their calculations	Valuations could be affected by a range of variables such as the quality of underlying collateral, varying degree of liquidity & many other unobservable factors



## PF Note 15b: Reconciliation of fair value measurements within Level 3

	Value 31 March 2023	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	66,989	-	-	10,775	(756)	(2,040)	74,968
- Private Debt	37,858	-	-	2,165	(366)	3,313	42,970
- Infrastructure	38,068	-	-	13,076	(613)	(454)	50,077
<b>Total</b>	<b>142,915</b>	<b>-</b>	<b>-</b>	<b>26,016</b>	<b>(1,735)</b>	<b>819</b>	<b>168,015</b>

2022/23	Value 31 March 2022	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2023
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	75,622	-	-	416	(1,685)	(7,364)	66,989
- Private Debt	23,504	-	-	15,904	(3,942)	2,392	37,858
- Infrastructure		-	-	29,302	(488)	9,254	38,068
<b>Total</b>	<b>99,125</b>	<b>-</b>	<b>-</b>	<b>45,622</b>	<b>(6,115)</b>	<b>4,282</b>	<b>142,915</b>

## PF Note 15c: Sensitivity of assets valued within Level 3

	Potential variation in fair value	Value at 31 March 2024	Potential Value on Increase	Potential Value on Decrease
Property		74,968	82,465	67,471
Private Debt	+/- 10%	42,970	47,267	38,673
Infrastructure	+/- 10%	50,077	55,085	45,069
<b>Total</b>		<b>168,015</b>	<b>184,817</b>	<b>151,213</b>

	Potential variation in fair value	Value at 31 March 2023	Potential Value on Increase	Potential Value on Decrease
Property	+/- 10%	66,989	73,688	60,290
Private Debt	+/- 10%	37,858	41,643	34,072
Infrastructure	+/- 10%	38,068	41,875	34,261
<b>Total</b>		<b>142,915</b>	<b>157,206</b>	<b>128,623</b>

The uncertainty around property values is estimated to be as much as 10% and is caused by uncertainty over key inputs to property valuations, such as rents varying by 10%, yields varying by up to 25%, and gross to net leakage varying by up to 30%.

## PF Note 16a - Classification of financial instruments

2022/23			2023/24		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
162,217			202,319		
Pooled Investments:					
434,803			418,655		
165,926			211,053		
66,989			74,968		
33,940			114,995		
133,306			67,853		
37,858			42,970		
38,068			50,077		
4,651			39,717		
	15,412			25,743	
	2,321			3,772	
<b>1,077,757</b>	<b>17,733</b>	<b>-</b>	<b>1,222,607</b>	<b>29,515</b>	<b>-</b>
<b>Long Term Assets</b>					
	150			150	
<b>1,077,757</b>	<b>17,883</b>	<b>-</b>	<b>1,222,607</b>	<b>29,665</b>	<b>-</b>
<b>Financial Liabilities</b>					
		(2,547)			(1,937)
		(2,547)			(1,937)
<b>1,077,757</b>	<b>17,883</b>	<b>(2,547)</b>	<b>1,222,607</b>	<b>29,665</b>	<b>(1,937)</b>
<b>Total</b>					

## PF Note 16b - Net gains and losses on financial instruments

2022/23		2023/24
£'000		£'000
	<b>Financial Assets</b>	
(39,556)	Designated at fair value through profit and loss	132,726
4	Financial assets at amortised cost	-
<b>(39,552)</b>		<b>132,726</b>

## PF Note 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.

### 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:

- Investment Strategy Statement;
- 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 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

## PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

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.

In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of asset classes, 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.

### b) 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.

### c) 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 last 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:

## PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Value as at 31/03/2023	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2024	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
597,020	18.1	705,081	488,959	Equities	620,975	18.4	735,234	506,716
38,937	3.0	40,105	37,769	Fixed income - Absolute Return Bonds	72,573	3.3	74,968	70,178
126,988	6.6	135,370	118,607	Fixed Income - Corporate Bonds	138,479	7.4	148,726	128,232
66,989	14.1	76,434	57,544	Property	74,968	14.8	86,063	63,873
33,940	10.9	37,639	30,241	Credit	114,995	10.9	127,529	102,461
133,306	10.2	146,903	119,709	Diversified Growth Fund	67,853	10.6	75,045	60,661
37,858	11.5	42,212	33,504	Private Debt	42,970	10.6	47,525	38,415
38,068	15.4	43,930	32,206	Infrastructure	50,077	14.4	57,288	42,866
3,917	0.0	3,917	3,917	Cash	39,315	0.0	39,315	39,315
734	0.0	734	734	Other	402	0.0	402	402
<b>1,077,757</b>		<b>1,232,326</b>	<b>923,189</b>	<b>Total</b>	<b>1,222,607</b>		<b>1,392,095</b>	<b>1,053,119</b>

### 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. The table below shows the sensitivity of the investments to interest rate changes

## PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Assets exposed to interest rate risk	Value as at 31 March 2024	Potential Movement on 1% Change in Interest Rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits	39,315	-	39,315	39,315
Fixed income	211,053	8,970	202,083	220,023
Credit	114,995	2,909	112,084	117,904
<b>Total</b>	<b>365,363</b>	<b>11,879</b>	<b>353,482</b>	<b>377,242</b>

Assets exposed to interest rate risk	Value as at 31 March 2023	Potential Movement on 1% Change in Interest Rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits	3,917	-	3,917	3,917
Fixed income	165,926	9,514	156,411	175,440
Credit	33,940	384	33,556	34,323
<b>Total</b>	<b>203,783</b>	<b>9,898</b>	<b>193,884</b>	<b>213,680</b>

### 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 (GBP). The Fund is exposed to direct currency risks on its segregated overseas equity holdings.

The Fund's currency rate risk is routinely

monitored by the Council and its investment advisers 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, the council considers the likely volatility associated with foreign exchange rate movements to be 10.0%.

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 2024 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.

<b>Value as at 31/03/2023</b>	<b>Value on 10% price increase</b>	<b>Value on 10% price decrease</b>	<b>Currency Exposure - Asset Type</b>	<b>Value as at 31/03/2024</b>	<b>Value on 10% price increase</b>	<b>Value on 10% price decrease</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
155,027	170,530	139,525	Overseas Equities	193,710	213,081	174,339
<b>155,027</b>	<b>170,530</b>	<b>139,525</b>	<b>Total assets available to pay benefits</b>	<b>193,710</b>	<b>213,081</b>	<b>174,339</b>

## PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

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 2024. 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.

### a) 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 money market fund with Federated Hermes or with the Council's bankers.

### b) 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 Pension Fund currently remains cash flow positive with contributions exceeding payable pensions, though this is regularly monitored.

The Council has immediate access to a proportion of its Pension Fund cash holdings, as these are held in an instant access interest bearing account and a money market fund with same day access. 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.

## PF Note 18 - Funding arrangements

### Actuarial Position

Rates of contributions paid by the participating Employers during 2023/24 were based on the actuarial valuation carried out as at 31 March 2022 by the Fund's actuary, Hymans Robertson. The objectives of the Fund's funding strategy is:

- to ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and

ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

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 2023 to 31 March 2026 are set out in a certificate dated 31 March 2022 which is appended to the actuary's report on the actuarial valuation. For those bodies which have become separate employers within the Fund since the valuation date, their contribution rates have been calculated individually and certified by the Fund's actuary.

At the 2022 actuarial valuation, the fund was assessed as 111% funded (95% at the March 2019 valuation). This corresponded to a surplus of £113m (2019 valuation: £42m deficit) at that time. Contribution increases are phased in over the three-year period ending 31 March 2026 for both scheme employers and admitted bodies.

### Commutation assumption

As at March 2022, it was assumed that future retirees will take 45% of the maximum additional tax-free lump sum up to HMRC limits. (50% as at March 2019 for pre April 2008 service and 75% for post April 2008 service)

### 50:50 option

As at March 2022 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option, it is assumed (0.0% as at March 2019).

## PF Note 18 - Funding arrangements (continued)

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

<b>Past Service Position</b>	<b>31/03/2019</b>	<b>31/03/2022</b>
	<b>£m</b>	<b>£m</b>
Past Service Liabilities	(882)	(1,014)
Market Value of Assets	839	1,126
Surplus (Deficit)	(43)	112
Funding Level	95.0%	111.0%

<b>Financial Assumptions</b>	<b>31/03/2019</b>	<b>31/03/2022</b>
	<b>Nominal</b>	<b>Nominal</b>
CPI Inflation	2.3%	2.7%
Discount Rate	3.9%	4.2%
Salary Increases*	2.7%	3.2%
Pension Increases	2.3%	2.7%

<b>Life Expectancy from Age 65</b>	<b>31/03/2019</b>	<b>31/03/2022</b>
Male Pensioners	21.7	22.4
Male Non-Pensioners	22.6	23.4
Female Pensioners	23.9	25.1
Female Non-Pensioners	25.5	26.4

<b>Contribution Rates</b>	<b>2022/23</b>	<b>2023/24</b>
Employer Future Service Rate *	18.3%	18.6%
Past service adjustment (21 year spread) **	3.2%	1.8%
<b>Total Employer Contribution Rate</b>	<b>21.5%</b>	<b>20.4%</b>

<b>Projected Annualised Returns over 20 Years (50th % ile)</b>	<b>2022</b>
Property	5.00%
Unlisted Infrastructure Equity	6.50%
Diversified Growth	3.80%
Credit	4.40%
Absolute Return Bonds	2.90%
All World ex UK Equity	6.30%
Direct Lending (Private Debt)	6.80%

## PF Note 19 - Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

31 March 2023		31 March 2024
£m		£m
(1,046)	Actuarial Fair Value of Promised retirement benefits	(1,071)
1,065	Net Fund Assets available to fund benefits	1,250
<b>19</b>	<b>Net Asset</b>	<b>179</b>

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate, rather than a rate which reflects market rates.

Other key assumptions used are set out in the table below:

2022/23		2023/24
%		%
3.0	Pension increase rate (CPI)	2.8
3.5	Salary increase rate	3.3
4.8	Discount rate	4.8

## PF Note 20 - Current assets

31 March 2023		31 March 2024	
£'000		£'000	
1,249	Contributions Due	2,756	
1,072	Other debtors	1,016	
15,412	Cash at Bank	25,743	
<b>17,733</b>	<b>Total Current Assets</b>	<b>29,515</b>	

## PF Note 21 - Current liabilities

31 March 2023		31 March 2024	
£'000		£'000	
(665)	Benefits Payable	(110)	
(1,882)	Other Creditors	(1,827)	
<b>(2,547)</b>	<b>Total Current Liabilities</b>	<b>(1,937)</b>	

## PF Note 22 - Additional voluntary contributions

A number of active Fund members have elected to pay additional voluntary contributions to increase their personal benefits. Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that these are not paid into the Pension Fund. The total AVCs paid by members in 2023/24 were £100,740 (£137,544 in 2022/23).

Market Value 31 March 2023	Contributions 2022/23	Market Value 31 March 2024	Contributions 2023/24
£'000		£'000	
76	- Utmost Life and Pensions	56	-
751	138 Aviva	812	101
<b>827</b>	<b>138</b>	<b>868</b>	<b>101</b>

These are invested with the Council's approved AVC providers and are a money purchase arrangement.

## PF Note 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 2023/24 was £1,211,576 (£1,107,052 in 2022/23)

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 expenses as above. 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 Ltd) which is within the Fund for which the Fund received £4.749m in employer contributions, deficit and early retirement costs from this body in 2023/24 (£3.930m in 2022/23).

## PF Note 23a - Key Management Personnel Remuneration

The key management personnel for the Pension Fund are the Interim Director of Finance/Section 151 Officer, the Head of Pensions Administration, and the Head of Pension Investments at the Royal Borough of Kingston Upon Thames. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts and are given in the table below. The short-term benefits shown below are also included within administration

expenses in Note 11. The post-employment benefits shown below are included in the calculation of the actuarial fair value of promised retirement benefits in Note 19.

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£'000</b>		<b>£'000</b>
115	Short-term benefits	119
168	Post-employment benefits	206
<b>283</b>		<b>325</b>

## PF Note 24 - Contingent liabilities and contingent assets

There are no contingent assets or contingent liabilities at 31 March 2024 or 31 March 2023.

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes, due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Fund is monitoring developments in terms of whether there is expected to be any impact on LGPS Funds and will consider if there are any implications for the Fund. At this time, the Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

## PF Note 24 - Contingent liabilities and contingent assets (continued)

As at 31 March 2024, there was an outstanding contractual commitment to the LCIV Private Debt Fund in the sum of £18.0m (£20.2m in 2022/23), the LCIV Renewable Infrastructure Fund of £68.6m (£56.7m in 2022/23), the LCIV Housing Fund of £44.8m (£0 in 2022/23) and the LCIV London Fund of £15.0m (£0 in 2022/23).

## PF - Glossary of terms

### **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 pensions benefits, in either

a defined benefit or a defined contribution scheme, from their current job.

### **Actuarial Valuation**

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

### **Actuary**

An adviser on financial information and assumptions relating to the pension scheme.

### **Admission Bodies**

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.

### **Assets**

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

### **Balance Sheet**

A Statement of the Council's assets and liabilities at 31 March (Balance Sheet date).

### **Cash & Cash Equivalents**

Cash is represented by money held by the Council and deposits available on demand.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

This is the accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.

### **The Code**

The Local Authority Accounting Code of Practice provides guidance to all Local Authorities on how applying accounting standards for the production of the Statement of Accounts and outlines information that must be included. The Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

### **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.

## PF Glossary of terms (continued)

### **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.

### **Current Assets**

These are assets that will be consumed within the next accounting period (i.e. less than one year).

### **Current Liabilities**

Those amounts which become payable or could be called upon in the next accounting period (i.e. less than one year).

### **Current Service Cost (Pensions)**

The increase in the present value of the pension scheme's liabilities expected to arise from employee service in the current period.

### **Debtors**

These are amounts owed but not received at the end of the financial year.

### **Deferred Member**

A member who is no longer active in the pension 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.

### **Defined Contribution Scheme**

A retirement benefit scheme into which an employee pays regular fixed contributions as an amount or percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

### **Equity**

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

### **Events after the Balance sheet date**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

### **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).

### **General Fund**

The Council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

## PF Glossary of terms (continued)

### **Going Concern**

The Council's financial statements are prepared on a going concern basis; that is, the accounts are prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

### **IAS19**

Accounting Standard requiring the recognition by an authority of the attributable share of the assets and liabilities of pension funds with which it is associated showing the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme, even though the fund retains title to the assets and the responsibility to pay pensions.

### **IAS26**

Accounting Standard on Accounting and Reporting by Retirement Benefit Plans. The Standard specifies the minimum contents of the financial statements of a pension fund. It requires that defined benefit pension funds should prepare a statement of net assets and include a note disclosing the actuarial present

value of promised vested and non-vested retirement benefits. It also requires that pension fund assets are carried at fair value.

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

### **International Financial Reporting Standards (IFRS)**

The accounting standards adopted by the International Accounting Standards Board (IASB).

### **Intangible Assets**

These are assets of value that do not have physical substance, for example software licences, franchises and patents. Expenditure incurred on these assets is capitalised at cost and charged to the Balance Sheet.

### **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.

**Investment Properties** Property that is held solely to earn rentals or for capital appreciation.

### **Liability**

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

### **Net Book Value (NBV)**

An asset or liability's original book value net of any accounting adjustments such as depreciation

### **Net Realisable Value**

The open market value of the asset less the expenses to be incurred in realising the asset.

### **Past Service Costs (Pensions)**

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.

## PF Glossary of terms (continued)

### ***Prior Year Adjustments***

These are material adjustments, which are applicable to prior years arising from the correction of fundamental errors or inaccuracies. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### ***Provision***

This is an amount, which is set aside for a liability or loss in respect of a past event, which is likely to be incurred, but where the exact amount and date on which it will arise is uncertain.

### ***Related Parties***

Two or more parties are defined to be related parties when at any time 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.

### ***Section 151 Officer***

Section 151 of the Local Government Act 1972 requires each local authority to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs. This officer is sometimes referred to as the Section 151 Officer.

### ***Security***

Any kind of transferable certificate of ownership.

### ***Termination Benefits***

Amounts payable to employees as a result of a decision by the Council to terminate an officer's employment prior to normal retirement age or an officer's decision to accept voluntary redundancy.

### ***Unitised Fund***

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



# **12. Pensions administration strategy**

**Sutton Council Pension Fund and Kingston Council Pension Fund**

**January 2021**

## Introduction

The pensions administration strategy (“the strategy”) sets out the responsibilities of the administering authority and scheme employers in administering the LGPS.

The role of administering authority for Sutton Council and Kingston Council is discharged by the shared pensions administration service and the shared finance service. Both of these services are hosted by Sutton Council. The shared HR service, hosted by Kingston Council, provides the pensioner payroll.

The strategy has been created pursuant to [regulation 59](#) of the Local Government Pension Scheme Regulations 2013 and shall be reviewed at least every three years.

There are four sections of the strategy and those are:

- Roles and deadlines of all parties
- Administering authority’s performance standards
- A statement about scheme communications
- Scope of additional costs that will be recovered from scheme employers

## Roles and deadlines

Each of the parties to the LGPS has specific roles and responsibilities. It is important that this is clear to ensure we all discharge them fully.

*If a stated deadline falls on a weekend or bank holiday then the deadline is the working day immediately prior.*

Role	Deadline
<b>Administering authority</b>	
<b>Shared Finance Service</b>	
Appoint a fund actuary, investment advisors, custodians and fund managers	As required
Lead and publish the triennial valuation (as at 31st March 2016 and on 31st March in every third year afterwards) and annual summary valuation pursuant to <a href="#">regulation 62</a>	Every three years and annually
Publish the audited fund annual accounts pursuant to <a href="#">regulation 56</a>	Annually
Publish a pension fund annual report pursuant to <a href="#">regulation 57</a>	Annually
Publish a funding strategy statement pursuant to <a href="#">regulation 58</a>	At least every three years

Role	Deadline
Publish an investment strategy statement pursuant to <a href="#">regulation 7</a> of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016	At least every three years
Publish a governance compliance statement pursuant to <a href="#">regulation 55</a>	At least every three years
Produce the business strategy for the fund	Every three years
Support the Pensions Committee/Panel and the Pension Board	Quarterly
Maintain the fund risk register	Quarterly
Manage fund cash and bank accounts	As required
Monitor fund investments and performance reporting	At least quarterly
Complete the SF3 and other investment returns	Annually and as required
Complete the quarterly Office for National Statistics financial survey of pension schemes	Quarterly
Monitor the financial strength of scheme employers	Annually
Sign off admission agreement terms regarding the financial arrangements between the parties	As required
<b>Shared Pensions Administration Service</b>	

Role	Deadline
Publish annual benefit statements to all active and deferred members via <a href="#">Pensions Online</a>	31st August
Publish pensions saving statements to scheme members that may have breached their annual and/or lifetime allowances	6th October
Set up and amend admission agreements for admitted bodies	As soon as practicable
Manage the internal dispute resolution procedure	In accordance with the procedure
Apply the annual pensions increase as directed by HM Treasury	April pensioner payroll cut-off
Submit a quarterly tax return to HM Treasury and pay the required tax charges	14th day of the second month following the end of the relevant period
Maintain a membership database	Not applicable
Undertake an annual data review and complete The Pension Regulator scheme return notice	November, as directed by The Pension Regulator
Process tasks in accordance with the performance standards	See table below
Maintain a 'breaches of law' register and notify The Pension Regulator of any materially significant breaches, which may result from:	As soon as practicable

Role	Deadline
<ul style="list-style-type: none"> <li>• A failure to issue annual benefit statements or pension savings statements in time</li> <li>• Errors and omissions identified by the internal dispute resolution procedure</li> <li>• Scheme employers failing to pay contributions on time or accurately</li> <li>• Other breaches of a legal requirement</li> </ul>	
<p>Provide information and manage the production of admission, cessation and IAS19/FRS102 (financial statement) reports via the fund actuary and share with those reports with scheme employers</p>	<p>As required</p>
<p><b>Shared HR Service</b></p>	
<p>Pay pensioners their monthly LGPS benefits</p>	<p>29th day of the month for Kingston pensioners and the last Thursday of the month for Sutton pensioners.</p>
<p>Issue pension payslips in March, April and if the net monthly pension changes by £5 or more</p>	<p>Issued on the relevant pay date.</p>
<p><b>Scheme employers</b></p>	
<p>Submit the monthly contributions return in the <a href="#">required format</a></p>	<p>19th day of the month after which the deductions are made</p>

Role	Deadline
Pay the monthly contributions to the fund pursuant to the <a href="#">Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014</a>	Payment received by 19th day of the month after which the deductions are made
Submit an annual return in the <a href="#">required format</a>	7th May
Calculate and pay redundancy and/or severance payments	As soon as practicable
Provide the data required for FRS17 (retirement benefits) calculations if requested	20 working days prior to the accounting date (ie 31st March, 31st July, 31st August etc).
Provide any additional data required for interim and/or cessation valuations	As soon as practicable
Publish a statement of policy about the exercise of discretionary functions pursuant to <a href="#">regulation 60</a>	Within six months of becoming a scheme employer
Calculate pensionable pay and determine a scheme member's final pay, when required	As required
Admit its employees into LGPS	By their starting date or auto enrollment date
Inform us about new scheme members, members leaving the scheme, or changes to employment (working hours, unpaid leave, unauthorised absences, reductions in pay and 50/50 scheme elections) using the <a href="#">required form or template</a>	20 working days after their starting date, leaving date or date of the change

Role	Deadline
Give notice of a scheme member's intention to retire	20 working days prior to the intended retirement date
Make the first instance decision about an ill-health retirement following receipt of the independent registered medical practitioner's report	As soon as practicable
Respond to general queries from the administering authority	10 working days
Respond to errors or missing information identified by the administering authority	20 working days or sooner if required
Pay invoices for any <a href="#">recoverable additional costs</a>	30 calendar days from the invoice date
Commence the deduction of additional contributions (APCs or AVCs) following an election from the scheme member or instruction from the administering authority	As soon as practicable
<b>Scheme members</b>	
Use <a href="#">Pensions Online</a> to: <ul style="list-style-type: none"> <li>● calculate a retirement quotation (over 55s only)</li> <li>● update your personal details</li> <li>● view your service, earnings and contributions information</li> <li>● view your annual benefit statements</li> </ul>	Not applicable
Complete an expression of wish form for any potential death grant payment	Not applicable

Role	Deadline
Give notice to their scheme employer of an intention to retire	60 working days prior to the intended retirement date
When joining, complete a previous service form to notify the administering authority about any existing LGPS pension benefits	1 year from date of joining
Fund actuary	
Undertake the triennial valuation (including the recommended contribution schedules) and annual summary valuations	Every 3 years (next due 2022) and annually
Produce admission, cessation, conversion and IAS19/FRS102 (financial statement) reports	As required

## Performance standards for processing tasks

The service target is the shared pensions administration service's target but in order to meet the overall process targets it will need to rely on other parties acting promptly. The targets have been set after accounting for any legal requirements and to achieve a suitable service level for scheme members.

Process	Service target	Overall process target	Legal deadline
Send a notification of joining to new scheme member	20 working days from receipt of all information	40 working days from date of joining	Two months from date of joining the scheme
Inform leaving scheme member	30 working days	40 working days from	No more than two months from date of initial

Process	Service target	Overall process target	Legal deadline
of their deferred benefits or contribution refund	from receipt of all information	date of leaving	notification
Provide transfer in quote to scheme member	15 working days from receipt of all information	40 working days from member's initial request	Two months from the date of request
Provide transfer value for transfer out or divorce proceedings	20 working days from receipt of all information	60 working days from date of request	Three months from date of request
Notify scheme member of their final retirement benefits	10 working days from receipt of all information	20 working days from date of retirement	One month from date of retirement if on or after normal pension age or two months from date of retirement if before normal pension age
Provide retirement quotation to scheme member	20 working days from receipt of all information	40 working days from date of request	No more than two months from date of request unless there has already been a request in the last 12 months
Notify dependants of their death benefits	10 working days from receipt of all information	40 working days from date of death	No more than two months from date of becoming aware of death
Answer general query correspondence	10 working days from receipt of correspondence	Not applicable	Not applicable

## Recoverable additional costs

The standard cost of administering the fund is factored into the contribution rates but there are circumstances that will require the recovery of additional costs.

Any such costs will be monitored by the administering authority and the relevant party will be invoiced for payment, either annually or on an ad-hoc basis depending on the type of cost.

### Performance penalties

This type of recovery is dealt with according to [regulation 70](#), which allows the administering authority to levy such charges on account of a scheme employer's unsatisfactory performance in carrying out its functions. These recoveries are required as a penalty to ensure the smooth running of the LGPS.

Any such recovery should be avoided where possible and scheme employers should seek advice from the administering authority if they experience any difficulties. The administering authority will not seek a recovery if there has been early engagement and suitable effort to comply. In the event that a recovery is required, the administering authority will provide the scheme employer with a written notice.

The penalties will be calculated as follows:

Unsatisfactory performance	Threshold	Charge
Late submission of joiner or leaver form	According to the roles and deadlines section	£50
High quantity of starters and leavers notified in annual return	More than 5% of scheme employer's active membership	£250 plus any other applicable charges

Unsatisfactory performance	Threshold	Charge
Late submission of annual return	According to the roles and deadlines section	£250 plus £50 per working day
Late submission of monthly contributions return	According to the roles and deadlines section	£125 plus £25 per working day
Poor quality of data in annual return or failure to provide information in the required format	More than 5% of data lines requiring amendment or deletion	Additional time spent to resolve at £125 per half day
Regulator fines as a result of scheme employer	Not applicable	The fine amount plus £100

### Actuarial and other fees

Any requests for advice or work that is outside of the requirements of an administering authority as defined by the LGPS regulations will be recoverable from the relevant scheme employer or scheme member. This may include:

- Legal advice concerning admission or cessation
- Accounting valuation reports (FRS102, etc)
- Site visits or seminars

Such recoveries will recharge the cost incurred from the third party provider with no uplift or administration fee. If the work is to be undertaken by the administering authority itself, the fees will be agreed with the scheme employer or scheme member before work commences.

## Interest on late payments

According to [regulation 71](#), scheme employers are liable for interest on late payments including contributions and performance penalties. Interest will be charged according to this regulation on any overdue amounts. In addition, there will be a £100 charge for the administration of such action.

## Divorce proceedings

Scheme members shall be liable for the administration costs of implementing a pension sharing order or other order related to divorce proceedings. The charge for this work is fixed at £500.

## Strain costs

Pension strain costs or capital costs can occur in a number of situations. Depending on the situation, the scheme employer may be liable for the costs or the costs will be paid from the pension fund (the employer contribution rates include an element to cover these risks). The typical situations are as follows:

- Death - costs paid from pension fund
- Ill-health retirement - costs paid from pension fund
- Redundancy of an employee over the age of 55 - costs paid by scheme employer
- Retirement of an employee over the age of 55 on grounds of efficiency or where the scheme employer chooses to waive the actuarial reduction that would otherwise apply - costs paid by scheme employer

Essentially, if the scheme employer controls when the costs occur (i.e. it chooses to do something) then they are liable for the costs. If it is out of their control/fortuitous, the pension fund pays.

## 13. GOVERNANCE COMPLIANCE STATEMENT

# Royal Borough of Kingston Pension Fund

## Governance Compliance Statement

(Approved Pensions Panel - 21 September 2022)

# Pension Fund Governance Compliance Statement

## Introduction

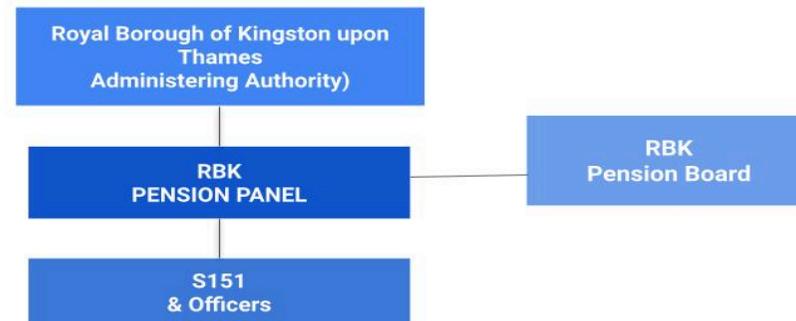
Regulation 55(1) of the Local Government Pension Scheme Regulations 2013 (SI2014-1146) requires the Administering Authority (Royal Borough of Kingston) to maintain a statement, which assesses the pension fund governance arrangements against guidance from the Secretary of State, and to make revisions to the statement following a material change in the arrangements:

- Part 1 of this statement relates to the arrangements for pension fund administration.
- Part 2 relates to the arrangements for the Local Pension Board, a stand-alone body.

By producing such a statement the Administering Authority is fully compliant with the legislation from the Secretary of State.

## Governance Framework

Royal Borough of Kingston (“the Council”) is the Administering Authority for Royal Borough of Kingston Pension Fund. The Council has delegated responsibility for the management and administration of the Pension fund to the Pension Fund Panel which is assisted by the Pension Board. The governance framework for the Fund is set out in the chart below:



The Pension Board has been established under regulation 106 of the Local Government Pension Scheme Regulations 2013. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- to ensure the effective and efficient governance and administration of the Scheme.

### Governance Compliance - Pension Fund Panel

In accordance with Statutory Guidance, the following table sets out the extent to which the Royal Borough of Kingston Pension Fund is compliant with the statutory guidance.

Requirement	Compliance	Comment
<b>Structure</b>		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The Council Constitution clearly sets out that responsibility for the management of the Pension Fund which is discharged through a formal decision-making Panel: The RBK Pension Fund Panel. The Panel also have a separate governance working document which contains great details on the roles and responsibilities of the Panel
Representatives of participating LGPS employers, 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.	Compliant	The Panel approved representatives of both employers and scheme members to be members of the Pension Panel
Where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	The Council does not have a secondary Committee or panel
Where a secondary Panel or panel has been established, at least one seat on the main Panel is allocated for a member from the secondary Panel or panel.	Compliant	The Council does not have a secondary committee or panel
<b>Representation</b>		
All key stakeholders are afforded the	Compliant	The Panel approved representatives of both employers and scheme

<p>opportunity to be represented within the main or secondary Panel structure. These include:</p> <ul style="list-style-type: none"> <li>• employing authorities (e.g. scheme employers),</li> <li>• scheme members (including deferred and pensioner scheme members),</li> <li>• independent professional observers, expert advisors (on an ad-hoc basis).</li> </ul>		<p>members to be members of the Pension Panel. The Panel has appointed an independent professional observer and has appointed expert advisors who can attend Panel meetings when required.</p>
<p>Where lay members sit on a main or secondary Panel, 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.</p>	<p>Compliant</p>	<p>All members are treated equally regarding access to papers, meetings and training. They are given full opportunity and encouragement to contribute to the decision making process.</p>
<p>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 Panel.</p>	<p>Compliant</p>	<p>Members receive induction training and further training to enable them to fulfil their roles and responsibilities. An annual training plan ensures that any knowledge and skill gaps are filled.</p>
<p><b>Voting</b></p>		
<p>The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body</p>	<p>Compliant</p>	<p>The policy on voting rights is clear and transparent. All elected members and stakeholder representatives on the Pension Fund Panel have equal voting rights.</p>

or group represented on main LGPS committees.		
<b>Training / Facility Time / Expenses</b>		
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.	Compliant	The Panel and the Board have adopted the CIPFA Knowledge and Skills Framework and an annual training plan for each body exists. Members have equal access to training and reimbursement of expenses to enable them to fulfil their roles and responsibilities.
Where such a policy exists, it applies equally to all members of Panels, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The Fund's Training Policy applies equally to all members of the Pension Fund Panel and Pension Board
<b>Meetings (Frequency / Quorum)</b>		
An administering authority's main committee or panels meet at least quarterly.	Compliant	The Pension Fund Panel meets with a quorum at quarterly intervals as required by its terms of reference.
An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main Panel sits.	Compliant	The Council does not have a secondary committee
An administering authority who do not include lay members in their	Compliant	There are stakeholder representatives on the Panel. Consultation with key stakeholders takes place

formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.		
<b>Access</b>		
Subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members have equal access to papers, documents and advice.
<b>Scope</b>		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The Pension Panel's terms of reference enable it to consider any matter relevant to the Pension Fund. Wider scheme issues are evident in policy statements
<b>Publicity</b>		
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.	Compliant	The Governance Policy and Communications Policy are published on the Council's website along with details of planned meetings of the Pension Fund Panel that are open to stakeholders

## Governance Compliance - Pension Board

Requirement	Compliance	Comment
<b>Functions of the Board</b>		
The terms should set out the function of the Board i.e. to assist the Administering Authority to secure compliance and ensure the effective and efficient governance and administration of the LGPS.	Compliant	This is clearly set out in the Pension Board Terms of Reference within the Council's Constitution. The Board also has a separate governance working document which contains great details on the roles and responsibilities of the Panel
<b>Membership</b>		
The terms should include the number of each category of Board member (including other representatives), the appointment and selection process, term of office and procedures for termination of office.	Compliant	<p>The Pension Board consists of 6 members and is constituted as follows:</p> <ul style="list-style-type: none"> <li>• 3 Scheme employer representatives</li> <li>• 3 scheme member representatives</li> </ul> <p>Vacancies are publicised. Officers from the Administering Authority assess each candidate's statement against the Person Specification and form a shortlist of suitable candidates. If there are more than 3 suitable candidates for each vacancy then a ballot will be held. Representatives serve for a fixed two year term which can be extended subject to re-nomination. Termination occurs automatically at the expiry of a term. Other than ceasing to be eligible a Board member may only be removed from office during a term by the unanimous agreement of all of the other Board members. The removal of the independent member requires the consent of the Scheme Manager.</p>

<b>Code of Conduct</b>		
The terms should refer to the requirement for the Local Pension Board to have a code of conduct for its members and that members of the Board should abide by the code	Compliant	Board members are subject to the code of conduct for Board members.
<b>Voting Rights</b>		
The terms should set out that employer and member representatives of the Board have equal voting rights; indicate where the Chair is from either the employer or member representatives whether the Chair has a casting vote; and note that other member do not have voting rights on the Board	Compliant	The Board consists of 6 voting members, (3 employer and 3 scheme member representatives) and an independent Chair who is not entitled to vote. Other members do not have voting rights on the Board.
<b>Conflicts of Interest</b>		
The terms should refer to the requirement for the Board to always act within the terms of reference. The Local Pension Board should have a conflicts policy for its members and that members should abide by the policy and provide information that the Administering Authority may reasonably require from time to time to ensure that members do not have a conflict of interest.	Compliant	The terms provides the purpose, scope and administrative procedures for the Board and requires the Board at all times to act in a reasonable manner in the conduct of its purpose and abide by the conflicts policy and code of conduct. All members of the Board must declare on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

<b>Appointment of a Chair / Vice Chair</b>		
The terms should specify whether the Board is to have a chair and/or vice-chair and if so specify the roles, including administrative and leadership responsibilities, and how they are appointed.	Compliant	The terms cover the appointment of an independent chair and a vice chair and their responsibilities
<b>Role of Advisers</b>		
The terms should set out the role of professional advisers, or other advisers to the Board and the process for their appointment and agreeing their fees. In addition the process for the Board accessing existing advisers to the Administering Authority should also be set out.	Compliant	The Board may be supported through the appointment of advisers and can consult with such advisers to the Board and on such terms as it shall see fit within the budget for the Board that is met from the Fund. The Chair is required to notify the Administering Authority of any proposed use of the existing advisers to the Pensions Panel or of the intention to consult with other advisers.
<b>Role of Officers</b>		
The terms should set out the role of officers of the Administering Authority to the Board, for example in the provision of secretariat services to the Board or providing pension fund information to the Board.	Compliant	The role of officers is to provide support to the Board. This support includes finance, pension administration and secretarial support.
<b>Administration of meetings including data protection</b>		
The terms should include the notice period	Compliant	The Board meets a minimum 4 times each year. The chair of the

<p>of Board meetings, the circulation of papers in advance of meetings, the decision making process, recording minutes of meetings, a procedure for dealing with urgent items of business and the publication of information.</p>		<p>Board with the consent of the Board membership may call additional meetings. The agenda notice and supporting papers must be issued at least 5 clear working days in advance of a meeting except in the case of matters of urgency. Any urgent items of business must be agreed by the Chair and be of such matter that cannot wait until the next ordinary meeting. The Board seeks to reach consensus and decisions are put to a vote when it cannot be reached. Draft minutes of each meeting must be circulated to all Board members within 10 working days after the meeting. Draft minutes are then subject to formal agreement by the Board at their next meeting. The minutes may, with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.</p>
<p><b>Quorum</b></p>		
<p>The terms should specify a quorum for meetings and in particular whether the quorum should include a minimum number of employer and member representatives.</p>	<p>Compliant</p>	<p>A meeting is only quorate when at least one employer member representative and one employer representative are present. Substitute members are included within the quorum. A meeting that becomes inquorate may continue but any decisions will be non-binding.</p>
<p><b>Attendance Requirements</b></p>		
<p>The terms should specify the requirements for attending meetings and the consequences of continued failure to attend Board meetings.</p>	<p>Compliant</p>	<p>Representatives should endeavour to attend all meetings and are required to attend at least 2 out of 4 meetings each year. Board membership may be terminated prior to the end of the term of office due to a Board member no longer being able to demonstrate their capacity to attend and prepare for meetings or to participate in</p>

		required training.
<b>Role of Substitutes</b>		
The terms should specify whether members are allowed to send substitutes to meetings where they are unable to attend themselves. Training requirements should also be considered where substitutes are permitted.	Compliant	Substitutes can be appointed by Member representatives. Where appointed, substitutes should be named and must undertake the same training as full members. Substitutes are allowed to attend on behalf of absent representatives if sufficient notice is given.
<b>Creation of Working Groups / Sub-Panels</b>		
The terms should specify whether the Board has the power to set up working groups or sub-Panels	Compliant	The Board may establish sub-Panels.
<b>Allowances / Expenses</b>		
The terms should specify the policy in relation to the payment of allowances and expenses to Board members.	Compliant	The Administering Authority does not pay allowances for Board members. Expenses are paid to Board members in line with the Administering Authority's policy on expenses.
<b>Budget</b>		
The terms should set out a process for the Board to have access to a budget for specified purposes.	Compliant	The Board is to be provided with adequate resources to fulfil its role set out in the terms. The budget is met from the Fund and determined by the Executive Director, Corporate & Communities
<b>Knowledge &amp; Understanding</b>		
The terms should refer to the requirement for the Board to have a policy and	Compliant	The Board has adopted the CIPFA Knowledge and Skills Framework and has an annual training plan for the Board. The Fund's Training

<p>framework to meet the knowledge and understanding requirements of the 2004 Act.</p>		<p>Policy covers Board members.</p>
<p><b>Reporting</b></p>		
<p>The terms should include arrangements for the reporting of information to the Administering Authority including direct reporting arrangements where the Board has material concern. In addition the methods used to communicate to scheme members and employers should be included.</p>	<p>Compliant</p>	<p>The Board is required to report its requests, recommendations or concerns to the Pension Panel.</p> <p>The Board should report any concerns over a decision made by the Pension Fund Panel to the Panel subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.</p> <p>Where the Board is satisfied that there has been a breach of regulation which has been reported to the Panel and has not been rectified within a for a reasonable period of time it is under an obligation to escalate the breach. The appropriate internal route for escalation is to the Monitoring Officer and / or the Section 151 Officer.</p> <p>The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation. Board members are also subject to requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistleblowing policy].</p> <p>Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in</p>

		<p>the Fund's annual report.</p> <p>Board agendas and minutes and training and attendance logs may be published using the following means: on the Fund's website, as part of the Fund's own annual report; as part of the Governance Compliance Statement.</p>
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## 14. FUNDING STRATEGY STATEMENT

The Funding Strategy Statement sets out the funding strategy statement (FSS) for the Royal Borough of Kingston upon Thames Pension Fund. The Royal Borough of Kingston upon Thames Pension Fund is administered by Kingston Council, known as the administering authority. Kingston Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

The Funding Strategy Statement can be found on the Kingston Pension fund website [here](#).

If you have any queries about the FSS, contact [skemployers@sutton.gov.uk](mailto:skemployers@sutton.gov.uk).

## 15. INVESTMENT STRATEGY STATEMENT

### **RBK Investment Strategy Statement (published March 2023)**

The Investment Strategy Statement (ISS) of the Royal Borough of Kingston Pension Fund has been adopted by Kingston Council (the Council) in its capacity as Administering Authority of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.

A copy of the Investment Strategy Statement can be found on the Kingston pension fund website [here](#)

## 16. Responsible Investment Policy

A copy of the Fund's Responsible Investment Policy can be found on the Kingston pension fund website [here](#)

## 17. COMMUNICATIONS POLICY STATEMENT

### STATEMENT OF POLICY CONCERNING COMMUNICATION AS REQUIRED BY REGULATION 61 The Local Government Pension Scheme Regulations 2013

This statement confirms the procedures used for communication and information sharing between the various LGPS parties, including scheme members and their representatives, prospective members, and scheme members. It is required by [regulation 61](#).

There are certain key principles that form the basis of the approach to communication. They are:

- Digital first communication but alternative methods as required
- Self service when appropriate
- Using plain language to help parties to make informed decisions

#### **Provision of information and publicity about the scheme**

The policy will set out the channels of communication that will be communicated and their frequency. It will include an engagement plan that will include events for employers, members of the scheme and prospective members of the scheme.

We are committed to using technology to enhance services, improve accessibility and broaden inclusion. We are developing our use of digital communication through our secure member portal, [Pensions Online](#), and email. Wherever possible, we will use a digital first means of communication, however, we recognise that individuals may have specific needs with regards to the format or language of our communication. As such, reasonable alternative material will always be made available on request.

Annual benefit statements are digitally published on [Pensions Online](#) and unless requested, a scheme member will not receive a paper copy. Using [Pensions Online](#), active and deferred scheme members can view their statements, other documents and membership information.

We shall maintain the service's web pages on [Kingston Council's website](#) to provide information about the LGPS. The contents shall be reviewed at least twice per year. This is where we will publish the key scheme documents, such as the annual report. The web pages will not duplicate the core scheme information found on the [LGPS website](#) but rather link to it where possible and only add information that is specific to the Fund.

When it is prudent to share scheme updates with scheme members, these messages will be added to the council website. In addition, we will ask every scheme employer to cascade such messages to its active scheme members. If it is relevant to share the message with deferred or retired scheme members, we will circulate it using the principle of digital first, where possible. These updates may include changes to the scheme regulations.

During an actuarial valuation year, we shall hold meetings with scheme employers and the fund actuary to discuss the results and implications of the valuation and other actuarial matters.

The LGPS and other pension schemes can prove confusing to its members. As such, all communication sent by us will be written using plain language where possible and where not, will include suitable definitions. We will also utilise 'drop-in' sessions for scheme members after the publication of key annual documents like the annual benefit statements and pensions savings statements. This will give active members an opportunity to discuss their options in person, without offering them any financial advice.

The Fund's governance arrangements include a panel and a board, which receive reports from the administering authority at their regular meetings. These reports are presented by officers and will include general updates and specific recommendations for decisions where the power to decide them has not been delegated to officers. Minutes and (non-exempt) papers of these meetings will be published on the Council's website.

## **Forms and templates for scheme employers**

### Forms

Scheme employers need to submit information in accordance with specific requirements to support the efficient administration of the LGPS. The following forms must be used and can be found on the council websites:

- Notification of joining employee (LG2)
- Notification of leaving employee (LG3)
- Notification of an employment change (LG4)
- Notification of changes to multiple post employee (LG5)

### Templates

In some situations, often due to a scheme employer's payroll provider, it is not always possible to use specific templates. As such, our templates are optional and scheme employers can choose to use their own format. However, the returns must still contain all of the fields found in our template. The following templates can be found on the council websites:

- Monthly contributions return (LG1)
- Annual return
- BDI return for bulk notification of joining employees

### **Sharing information with external bodies**

From time to time the administering authority shall share scheme member and scheme employer information with the following external bodies:

- Cabinet Office
- Ministry of Housing, Communities & Local Government
- Department for Work & Pensions
- Government Actuary's Department
- HM Revenue & Customs
- Local Government Association
- The fund actuary
- The external auditor
- The member data service provider (Accurate Data Services)

