ROYAL BOROUGH OF GREENWICH

PENSION FUND

ANNUAL REPORT

2012 / 2013

ROYAL borough of GREENWICH

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MESSAGE FROM THE CHAIR OF THE PENSION FUND INVESTMENT AND ADMINISTRATION PANEL

I am pleased to present the Fund's Annual Report and Accounts for 2012/13 which shows a rise in value from £796m to £885m, an increase of 11% from last year.

Equity markets have performed strongly over the year. However the nervousness and uncertainty displayed in the global markets, particularly surrounding the banking sector and Europe saw investors turning to bonds as a safe haven and therefore bond markets have also performed well this year. The property market has continued to suffer from the uncertainties in the economy and concerns over continuing economic weakness led to the UK's credit rating being downgraded by Moody's. Interest rates and economic growth have remained low, with austerity and debt repayment remaining the government's priority.

In terms of Fund performance, whilst the bond and passive equity portfolios performed well, the active equity and property portfolios underperformed their benchmarks. This was attributable in part to poor performance by the active equity manager and liquidity issues with some underlying unit trusts in the property portfolio. In order to stem sustained underperformance in the equity mandates, the Panel took action to reposition the Fund and transition one third (£82m) of assets from the active manager into the passive portfolio. This was a short term, low cost strategy to preserve capital. Furthermore, the property benchmark changed from the IPD All Pooled benchmark to the IPD All Balanced benchmark which is more suited to the fund's property portfolio, with a lower risk profile.

The private equity portfolios are distributing increasing amounts, with £5.4m returned in the last year.

The panel continues to focus on strong governance by taking proactive measures to confirm and update its objectives, refine strategic process to develop an appropriate investment management structure and develop a framework for managing risk. The Fund became a member of the Local Authority Pension Fund Forum which seeks to harness and optimise shareholder influence, promote corporate social responsibility and high standards of corporate governance. The Fund has also published its Statement of Compliance with the UK Stewardship Code for Institutional Investors.

Panel members and officers attended LGPS specific training and institutional investment training to ensure that they have the knowledge and skills to undertake their fiduciary duties. The feedback from these events was very positive and will be refreshed in 2013/14.

Looking forward, the 2013/14 business plan heads of terms include some familiar items such as the triennial valuation, however the Pension Administration Team will also be busy with the implementation of Auto Enrolment and preparing for the new LGPS Regulations due to commence in April 2014. The Pensions Investment Team will be focussing their efforts on the asset liability study and repositioning of the Fund to confirm the new benchmark.

I look forward to continuing to work with the Panel and Officers to ensure that the Fund is effectively managed for the benefit of all the members.

Councillor Don Austen
Chair - Pension Fund Investment and Administration Panel

MESSAGE FROM THE DIRECTOR OF FINANCE

As is typical of many LGPS funds, financial pressures are increasing, with many factors contributing to this. Improvements in standards of living increase the average lifespan of members which means the Fund is paying pension benefits for longer. Although overall fund membership has grown, the composition has altered whereby there are fewer active members contributing, but the number of people drawing their benefits has risen, resulting in fewer contributions to deliver much needed investment returns. I believe that the introduction of auto enrolment in June 2013 will increase the number of active contributing members and benefit the sustainability of the Fund.

You may have noticed there is much debate on public sector pension reform. Essentially the question being asked is how we can make our Fund affordable and sustainable whilst meeting the needs of current and future generations.

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

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

In order to ensure that the Fund is achieving the best value for members and employers, the Fund is challenged to do things differently and this involves seeking opportunities to gain efficiencies through collaboration, business process re-engineering and rationalisation.

I look forward to working with councillors and officers to uphold the high standards necessary to deliver a sustainable and efficient LGPS that tomorrow's generations deserve.

Debbie Warren
Director of Finance

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BOROUGH OF GREENWICH

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Royal Borough of Greenwich for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Royal Borough of Greenwich in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the pension fund annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the pension fund annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Susan M Exton
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

31 July 2013

SCHEME MANAGEMENT AND ADVISORS

Administering Authority:	Royal Borough of Greenwich
Officers:	Debbie Warren (Director of Finance)
Councillors:	Don Austen (Chair) Peter Kotz Angela Cornforth Mick Hayes Allan MacCarthy Neil Dickinson
Observers:	Unite GMB Unison
Actuary:	Barnett Waddingham
Investment Consultant:	Hymans Robertson
Investment Managers:	Alliance Bernstein Blackrock Fidelity CBRE LGT Capital Partners Wilshire
AVC Providers:	Clerical Medical Equitable Life
Custodian:	State Street Bank & Trust
Auditor:	Grant Thornton
Performance Measurement:	WM Company
Bankers:	The Co-Operative Bank

SCHEME OVERVIEW

The Royal Borough of Greenwich Pension Fund is part of the Local Government Pension Scheme (LGPS) which is governed by various regulations[1]. It's benefits are therefore defined and guaranteed in law. The LGPS is contracted-out of the State Second Pension (S2P) and must, in general, provide benefits at least as good as most members would have received had they been members of S2P. The Pension Fund fulfils the requirements of the Superannuation Act 1972, which requires Councils to maintain a Pension Fund for its own employees and employees admitted to the Fund under an admission agreement.

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

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

Employee contribution rates are set by regulations and are dependent upon each member's full time equivalent salary. Employee contributions attract tax relief at the time they are deducted from pay and the employee also pays lower National Insurance contributions between the Lower and Upper Earnings Limits, unless the employee has opted to pay the married woman's reduced rate.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2010 and showed that the fund was 85% funded. The deficit is to be funded by additional employer contributions over the course of 23 years.

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

From 1 April 2008, scheme contributions and benefits relating to service earned from that date changed. It remains a final salary scheme and with the exception of

[1] Local Government Scheme Regulations 1997, 2007 and 2008 (as amended)

casual workers, all active members of the pension fund as at 31 March 2008 transferred to the new scheme. Benefits up to 31 March 2008 are calculated on the basis of $^1/_{80}$ pension and $^3/_{80}$ lump sum. Benefits from 1 April 2008 are calculated using the improved accrual rate of $^1/_{60}$ for pension. There is no automatic lump sum in the new scheme; however, pension can be commuted to provide a lump sum, subject to HMRC rules.

It is also a requirement of the LGPS that employees are given a facility to enhance their pension arrangements through the use of Additional Voluntary Contributions (AVCs). The Royal Borough of Greenwich Pension Fund uses Equitable Life and Clerical Medical as AVC providers.

A comparison of the benefits under the old (pre 2008) and current (post 2008) scheme is provided in Appendix A.

New LGPS regulations are due to come into force from 1 April 2014. The changes these regulations introduce include:

- Move to inflation linked Career Average Revalued Earnings (compared to final salary currently)
- A higher accrual rate of 1/49th (rate at which pension is earned)
- Average employee contribution rate maintained at 6.5% but higher contributions for higher earners
- Member choice to pay half their normal contribution rate for half the benefits
- Normal pension age linked to State Pension Age
- Conversion between pension and lump sum retained.

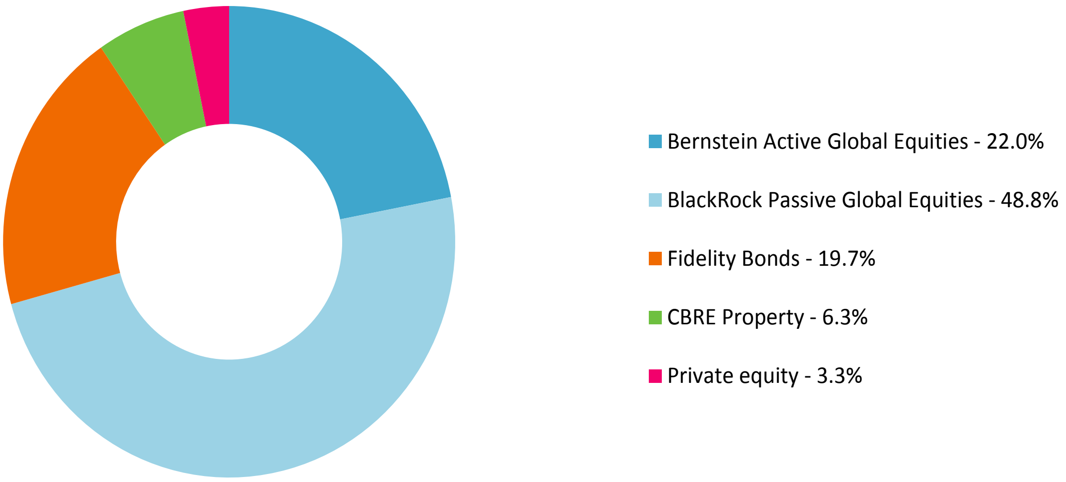
Benefits accrued before April 2014 will be protected.

THE PENSION FUND AT A GLANCE

As at 31 March 2013, the Royal Borough of Greenwich Pension Fund comprised:

- 32 active employers
- Net assets valued at £885m
- 17,331 members of which 6,116 were actively contributing into the fund, 5,992 were drawing benefits from the fund and the remainder had rights to deferred benefits

Breakdown of Scheme assets by manager as at 31 March 2013



Summary of total Fund performance:

Performance to 31 March 2013	1 year (%)			3 years (% p.a.)		
	Fund	Benchmark	+/-	Fund	Benchmark	+/-
Total Scheme	**13.4**	**13.8**	**-0.4**	**7.5**	**8.5**	**-0.9**

FINANCIAL SUMMARY

The Following are abridged financial statements taken from the full audited financial statements of the Royal Borough of Greenwich Pension Fund for the year ended 31 March 2013. The complete 2013 financial statements can be found in appendix B. To access the auditor's report please visit our website:

http://www.royalgreenwich.gov.uk/downloads/download/284/pension_fund_investments_documents

Fund Account as at 31 March 2013

31 March 2012		31 March 2013
£000	**Dealings with Members, Employers and Others directly involved in the Scheme**	**£000**
	Contributions Receivable:	
(27,106)	Employer Contributions	(25,796)
(9,667)	Member Contributions	(9,284)
(2,513)	Transfers in from Other Pension Funds	(3,966)
	Benefits:	
29,136	Pensions	32,328
14,097	Lump Sum & Death Benefits	9,685
2,800	Payments to and on account of Leavers	12,720
827	Administration Expenses	963
7,574	**Net (additions) / withdrawals from Dealings with Members**	**16,650**
	Returns on Investment	
(10,474)	Investment Income	(6,181)
(9,952)	Profit and Losses on disposal of Investments and Changes in Value of Investments	(101,079)
194	Taxes on Income	141
1,575	Investment Management Expenses	1,343
(18,657)	**Net Returns on Investment**	**(105,776)**
(11,083)	**Net (increase) / decrease in the Net Assets available for Benefits during the year**	**(89,126)**

Net Asset Statement as at 31 March 2013

31 March 2012 £000	Investment assets	31 March 2013 £000
241,684	Equities	166,861
	Pooled Investment Vehicles:	
156,208	Fixed Interest OEIC	172,487
54,341	Property Unit Trusts	51,680
283,893	Unitised Insurance Policies	225,462
13,849	Other Unit Trusts	223,491
0	Derivative Contracts	18
1,600	Property – Freehold	1,600
27,361	Private Equity	28,025
14,711	Cash Deposits	7,895
2,260	Other Investment Balances	7,656
	Investment Liabilities	
(11)	Derivative Contracts	(13)
(3,334)	Other Investment Balances	(6,005)
792,562	**Net Investment Assets / (Liabilities)**	**879,157**
	Current Assets	
226	Contributions Due	236
22	Other Current Assets	59
3,599	Cash Balances	6,747
	Current Liabilities	
(504)	Unpaid Benefits	(306)
(19)	Other Current Liabilities	(881)
3,324	**Net Current Assets / (Liabilities)**	**5,855**
795,886	**Net Assets of the Scheme available to fund Benefits at the Period End**	**885,012**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2013. The triennial actuarial valuation of the Fund does take into account the long term liabilities of the fund. The full valuation report can be viewed on our website:

ROYAL borough of GREENWICH

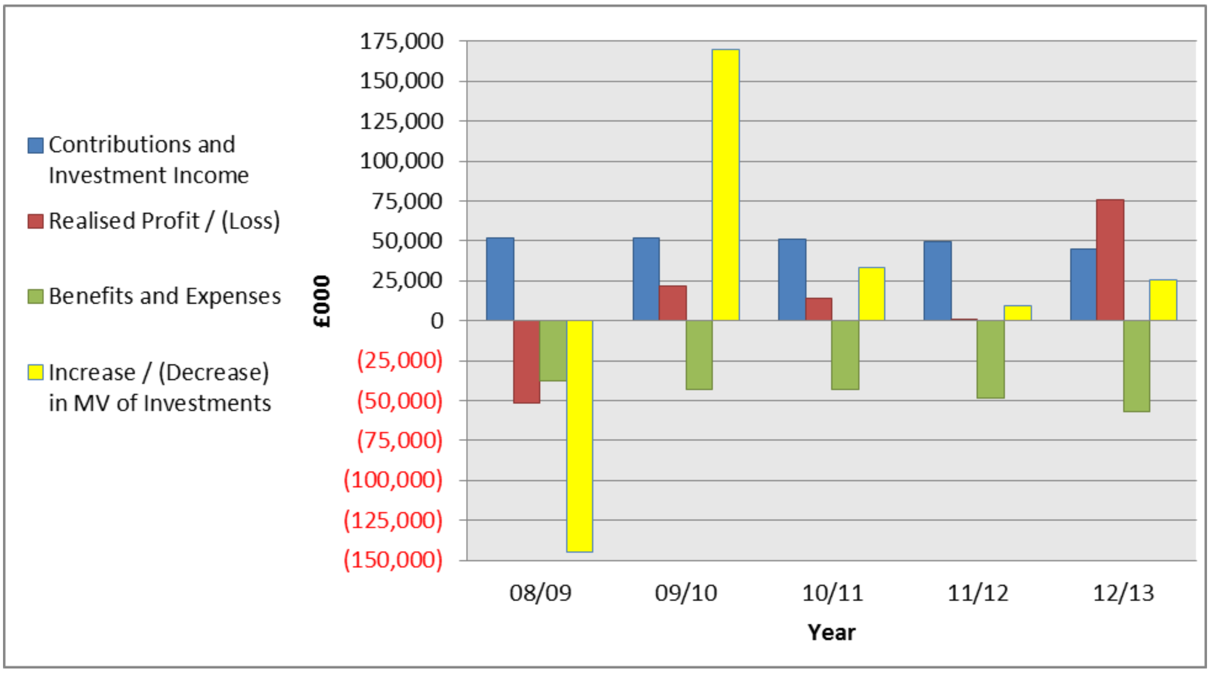
http://www.royalgreenwich.gov.uk/downloads/download/284/pension_fund_investments_documents

Below is a five year financial summary of the fund. The value of the fund has increased year on year since the economic crisis of 2008. A comparison has been made between the year on year change in market value of the fund and the FTSE 100 index. This is a generalised comparison against the economic markets. A more detailed performance review of the fund comparing performance against the fund's specific benchmarks is available in the Investment Overview, Policy and Performance section of this report.

Five Year Financial Summary

Financial Summary	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
	£000	**£000**	**£000**	**£000**	**£000**
Contributions and Investment Income	52,038	51,686	51,237	49,566	45,086
Realised Profit / (Loss)	(51,811)	22,058	14,130	697	75,632
Benefits and Expenses	(37,527)	(42,746)	(43,192)	(48,435)	(57,039)
Net Annual Surplus / (Deficit)	(37,300)	30,998	22,175	1,828	63,679
Increase / (Decrease) in MV of Investments	(145,129)	169,533	33,420	9,255	25,447
Net Increase / (Decrease) in Fund	(182,429)	200,531	55,595	11,083	89,126
Market Value of Assets at 31 March	**528,677**	**729,208**	**784,803**	**795,886**	**885,012**

Change in Greenwich Fund Market Value	**(26%)**	**38%**	**8%**	**1%**	**11%**
Change in FTSE 100	**(10%)**	**(31%)**	**4%**	**(2%)**	**11%**



ROYAL borough of GREENWICH

The administration costs in 2012/13 were £1.0m (£0.8m in 2011/12). The administration cost was £56 per member. (£48 in 2011/12). The increase in costs on the previous year was due to the costs of implementing the new pensions system.

Budgeted Fund Account

Financial Performance			
Budgeted Fund Account - Fund Cashflow	**2014**	**2013**	**2012**
Estimate 31 March 2014 & Actuals for year ended 2012-13 & 2011-12	**Estimate**	**Actual**	**Actual**
Expenditure	**£m**	**£m**	**£m**
Pension (or annuities): retired employees and dependents	**-34**	-32	-29
Lump sums: on retirement (including deferred)	**-9**	-9	-13
Lump sums on death	**-1**	-1	-1
Administration and fund management costs of the fund	**-1**	-1	-1
Transfer values including apportionments	**-3**	-13	-3
Total expenditure	**-47**	-56	-47
Contributions (including those from other employing authorities): employees	**9**	9	10
Contributions (including those from other employing authorities): employers	**25**	26	27
Investment Income	**6**	6	10
Transfer values including apportionments	**4**	4	3
Total income	**44**	45	50
Net inflow/(outflow)	**-3**	-10	3

The fund cashflow estimate for 2014 summarises a number of trends namely increasing pension payments to members and decreasing income from contributions. It is too early at this stage to make any assumptions on the impacts of autoenrolment on the Fund. The transfers in forecast has returned to its 2012 level; 2013 data was largely influenced by a bulk transfer of staff in respect of the Woolwich Ferry.

Fund Account Variance Analysis

Budgeted and Actual Results for years ended 2012-13	**Actual**	**Forecast**
Expenditure	**£m**	**£m**
Pension (or annuities): retired employees and dependents	-32	-31
Lump sums: on retirement (including deferred)	-9	-15
Lump sums on death	-1	-1
Administration and fund management costs of the fund	-1	-1
Total expenditure	-43	-48
Income		
Contributions (including those from other employing authorities): employees	9	9
Contributions (including those from other employing authorities): employers	26	27
Total income	35	36

Results for Fund against forecast were 2.5% lower overall than predicted. The biggest factors for variance was the 4% increase in pension payments together with the 38% decrease in lump sum payments to members. A forecast for investment income has not been included due to the unpredictability of market performance, similarly a forecast has not been produced for transfers in and transfers out of the fund.

Administrative and Fund Management Costs

Administrative and Fund Management Costs 2012 - 2013

Budgeted and Actual Results for years ended 2012-13	**Actual**	**Forecas**
Administrative costs and investment management expenses	**£000**	**£000**
Administrative costs		
Central costs	887	830
Legal and other professional fees	20	20
Other	56	0
	963	850
Investment Management Expenses	1343	1512
Total costs charged to the fund including investment management expenses	2306	2362

Results for administrative and fund management costs against forecast were 2% lower overall than predicted. The biggest contributor was the fall in fund management costs, mainly attributable to fee renegotiation for the global equities mandate.

INVESTMENT POLICY AND PERFORMANCE

Investment Policy

The Royal Borough of Greenwich is the statutory body responsible for administering the fund. It has delegated responsibility for the management of the fund, including its investments, to the Pension Fund Investment and Administration Panel. The Panel comprises six Councillors from the Royal Borough of Greenwich who have full voting rights. Trade Union representatives, staff from the Finance Directorate and professional advisors also attend Panel meetings but do not have voting rights.

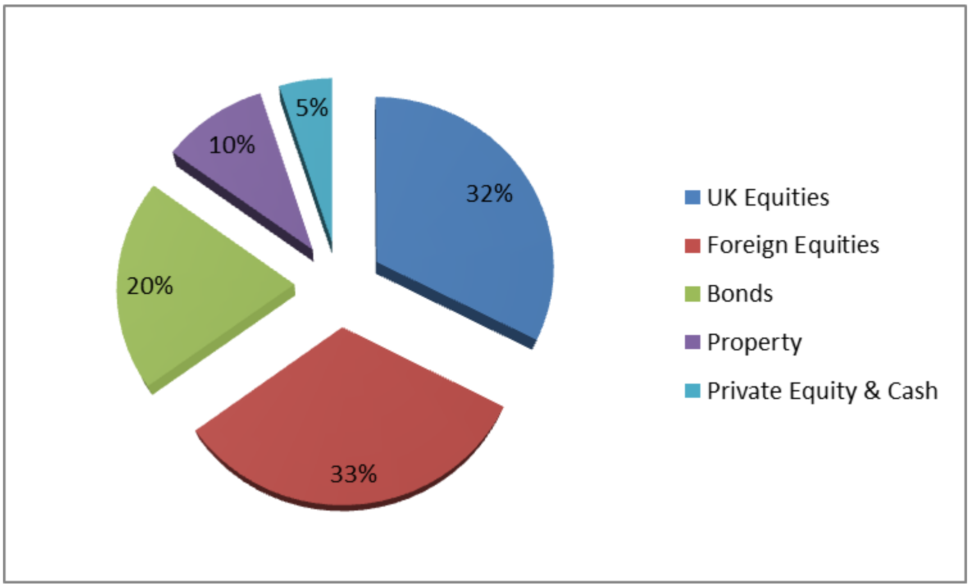
The main objective of the Fund is to ensure that there are enough assets in the Fund to cover liabilities of promised retirement benefits; and to do this within acceptable risk parameters.

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

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

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

Benchmark Asset Allocation



Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund. Fund managers are set risk parameters to provide them with some flexibility in achieving the asset allocation to allow them to make the most of market conditions. They must seek approval for any positions that go beyond the agreed risk parameters set for their strategies. The following table compares the actual asset allocation as at 31 March 2013 to the benchmark:

Comparison of Actual Assert Allocation against Target:

Asset (%)	**Target**	**Actual**
UK Equities	32.5	37.2
Overseas Equities	32.5	33.0
North America	*13.8*	*15.7*
Europe ex UK	*5.2*	*7.4*
Japan	*3.3*	*3.2*
Pacific	*4.6*	*3.4*
Emerging Markets	*5.6*	*3.3*
Bonds	20.0	19.0
Property	10.0	5.9
Other*	5.0	4.9
Total	**100.0**	**100.0**

* includes private equity and cash

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

Passive Equity:	Blackrock
Active Equity:	Alliance Bernstein
Bonds:	Fidelity
Property:	CBRE
Private Equity:	LGT Capital Partners
	Wilshire

An asset liability study is due to take place during 2013/2014. The asset liability modelling study is a tool for assessing funding and investment strategies in order to generate the optimal investment strategy. The asset liability modelling output provides the framework for making decisions around long term strategic benchmarks appropriate to the Fund's liabilities; developing a funding strategy and identifying triggers for dynamic changes to the investment strategy.

Further details about the investment strategy can be found in the Statement of Investment Principle in Appendix E.

Responsible Investment Policy

The Fund expects its investment managers to engage with the companies within their portfolio on social, environmental and ethical issues. The Fund's policy on Socially Responsible Investment can be found in the Statement of Investment Principles (Appendix E).

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

Additionally, in March 2013 the Pension Fund issued a statement of compliance with the UK Stewardship Code for Institutional Investors. The Stewardship Code sets out seven principles of good practice on engagement with investee companies. The compliance statement is set out in Appendix H. The Fund's equity, bond and property managers have also issued statements of compliance with the Stewardship Code.

The Fund's active equity manager is mandated to vote at company meetings on the Fund's behalf. The Fund has set out Voting Intention Guidelines which it expects the manager to follow. These guidelines are set out in appendix IV of the Statement of Investment Principles (Appendix E). The following table summarises the votes cast in the year on the Fund's behalf:

Type of Vote	For	Against	Abstain	DNV	With Manager	Against Manager
Antitakeover Related	19	5	0	0	19	5
Capitalization	162	8	0	1	162	8
Directors Related	942	60	8	28	945	65
Non-Salary Comp	105	27	0	3	105	27
Reorganisations and Mergers	10	3	0	0	10	3
Routine/Business	266	29	0	9	266	29
Shareholder Directors Related	9	3	0	2	5	7
Shareholder Routine/Business	3	2	0	0	2	2
Shareholder Compensation	1	3	0	0	3	1
Shareholder Health/Environment	1	0	0	0	0	1
Shareholder Other/Misc	2	0	0	0	0	2
Shareholder Human Rights	1	1	0	0	1	1
TOTALS	1,520	141	8	43	1,518	151

Investment Performance Report from the Fund's Investment Consultant

Investment review

Market commentary

Equity markets performed strongly over the 12 months to 31 March 2013. This positive tone contrasted with mixed developments on the economic front, continuing difficulties associated with the financial crisis and debt 'overhangs' in the US and Europe.

Optimism over global economic growth prospects deteriorated progressively over the period, with mixed data in the UK and much of Europe falling into recession. Although the US exhibited consistent growth, policy makers remained cautious. Initiatives taken by central banks in the US, Europe and Japan differed in nature and size. In the US, activity was principally focused on stimulating economic growth. In other regions, it was designed to counter deflationary forces.

In the UK, the Governor of the Bank of England forecast a period of persistently low economic growth, citing problems in the Eurozone as a contributory factor. The Chancellor of the Exchequer presented his March 2013 budget against a background of downward revisions to economic growth forecasts and a cut in the country's credit rating. With rising debt, austerity remains the order of the day. The budget incorporated further unpopular cuts in public spending.

Key events over the 12 month period were:

Global economy

- Policy makers in the UK, Eurozone, US, Japan and China announced asset purchase programmes to stimulate economies;
- Short-term interest rates were unchanged in US and UK, and reduced (by 0.25%) in the Eurozone;
- The Eurozone reported its third consecutive quarter of economic contraction;
- Economic growth in major Asian markets was impaired by weak external demand;
- France and Italy pressed the case for economic growth rather than austerity as policy priority;
- The UK's credit rating was cut by Moodys, on concerns over continuing economic weakness.

Equities

- Defensive stocks outperformed cyclicals over the period;
- The strongest sectors, relative to the 'All World' Index, were Health Care (+13.1%) and Consumer Services (+8.8%); the weakest sectors were Basic Materials (-15.7%) and Technology (-11.4%).

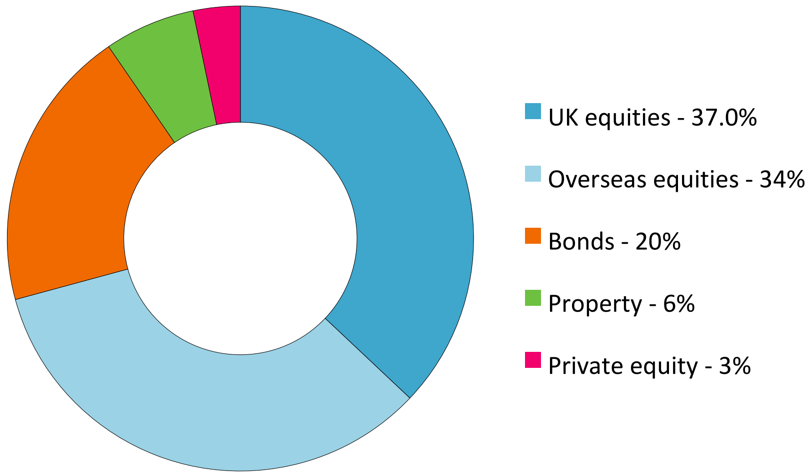
Bonds

- The European Central Bank announced a bond purchase programme to assist countries struggling to raise funds;
- Corporate bonds outperformed government issues by a comfortable margin.

Asset allocation

The following chart gives a breakdown of Scheme assets by asset class as at 31 March 2013.

Breakdown of Scheme assets by asset class as at 31 March 2013



The following table shows the change in assets by asset class over the year, and the Scheme's target asset allocation, together with the WM Local Authority ("WM LA") average allocation.

Asset class breakdown	Value at Q1 2012 (£m)	Weight (%)	Value at Q1 2013 (£m)	Weight (%)	Target (%)	WM LA Avg (%)
UK equities	331.4	41.8	324.7	36.9	32.5	24.4
Overseas equities	215.2	27.2	295.6	33.6	32.5	33.3
Bonds	156.2	19.7	172.5	19.6	20.0	17.6
Property	55.5	7.0	55.1	6.3	10.0	6.8
Private equity	27.3	3.4	28.6	3.3	5.0	4.1
Other alternatives/cash	7.1	0.9	2.3	0.3	-	13.8
Total Scheme	**792.7**	**100.0**	**878.8**	**100.0**	**100.0**	**100.0**

Source: Managers, WM. This table excludes in house holdings, managers' fees and accruals relating to pensions administration. As such it cannot be directly compared to the net asset statement although the information contained herein is consistent with the net asset statement.

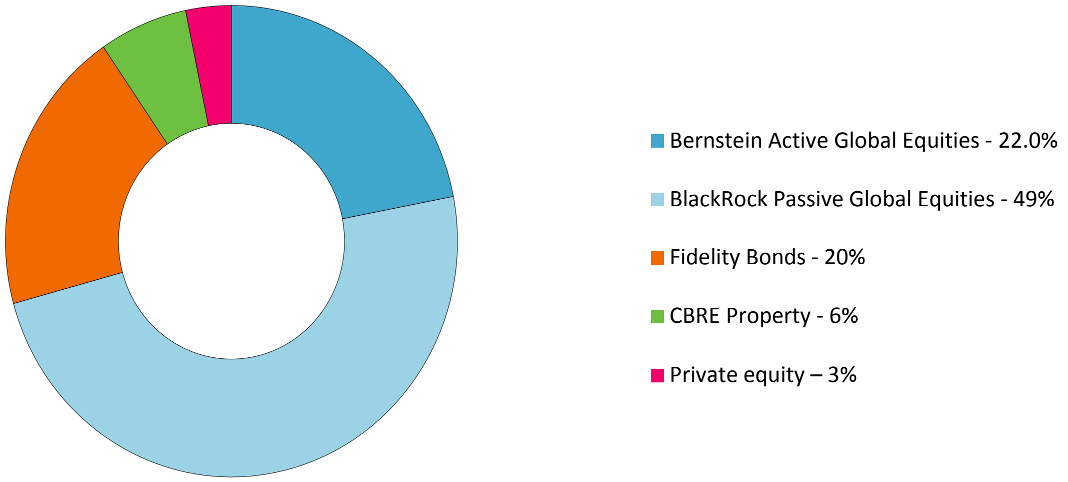
ROYAL borough of GREENWICH

Over the year, a partial reorganisation of the Scheme's assets reduced the weighting to UK equities and increased the exposure to overseas equities, bringing both more in line with the target asset allocation. This helped to further diversify the overall equity portfolio. Compared with the Local Authority average, the Scheme has a higher weighting to UK equities, potentially reflecting further investment by some Local Authority schemes in alternative asset classes, as well as cash holdings.

The Scheme is more modestly overweight to bonds compared with the Local Authority average, although broadly in line with the target allocation. The Scheme's allocations to property and private equity increased their underweight position versus the target allocation, partly driven by the strong performance of equities over the year.

The following chart shows a breakdown of assets by manager as at 31 March 2013.

Breakdown of Scheme assets by manager as at 31 March 2013



The following table shows the changes in manager values of the year, and their respective benchmarks.

ROYAL borough of GREENWICH

Fund values	Value at Q1 2012 (£m)	Weight (%)	Value at Q1 2013 (£m)	Weight (%)	Benchmark
Alliance Bernstein - Active Global Equities	254.3	32.1	192.6	21.9	MSCI AC World Equity Index
BlackRock - Passive Global Equities	292.3	36.9	427.7	48.6	Composite benchmark
Fidelity - Bonds	156.2	19.7	172.5	19.6	50% iBoxx Sterling Gilt Index 50% iBboxx Sterling Non-Gilt Index
CBRE - Property	55.5	7.0	55.1	6.3	IPD UK Quarterly Property Fund Index
LGT	13.8	1.7	13.8	1.6	-
Wilshire	13.5	1.7	14.8	1.7	-
Other	7.1	0.9	2.3	0.3	-
Total Scheme	**792.7**	**100.0**	**878.8**	**100.0**	**Composite benchmark**

Source: Managers, WM. This table excludes in house holdings, managers' fees and accruals relating to pensions administration. As such it cannot be directly compared to the net asset statement although the information contained herein is consistent with the net asset statement.

Source: Managers. Excludes in house holdings.

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

Portfolio changes over the year to 31 March 2013

Alliance Bernstein/BlackRock transition

On 16 April 2012, approximately one third of the active global equity portfolio managed by Alliance Bernstein was transferred to the appropriate underlying BlackRock passive funds. The remaining assets with Bernstein were reorganised

ROYAL borough of GREENWICH

into a more globally focussed portfolio with the allocation to UK equities reduced accordingly. As part of the transition, BlackRock combined the UK equities received from Alliance Bernstein together with a partial redemption from the Aquila Life UK Equity Index Fund and reinvested those assets in the BlackRock UK Equity Index Tracker Fund. This brought the Scheme's overall exposure to life policy contracts to less than 30% of total assets.

CBRE benchmark

With effect from Q4 2012, the performance benchmark for the CBRE property multi-manager portfolio changed to the IPD UK Quarterly Property Fund Index, from the IPD UK Pooled Property Fund Index.

Total fund performance

The table below shows the total Scheme performance versus its benchmark to 31 March 2013.

Performance to 31 March 2013	1 year (%)			3 years (% p.a.)		
	Fund	B'mark	+/-	Fund	B'mark	+/-
Total Scheme	**13.4**	**13.8**	**-0.4**	**7.5**	**8.5**	**-0.9**

Source: WM

The table below shows the one year performance for the Scheme by asset class versus the WM Local Authority universe.

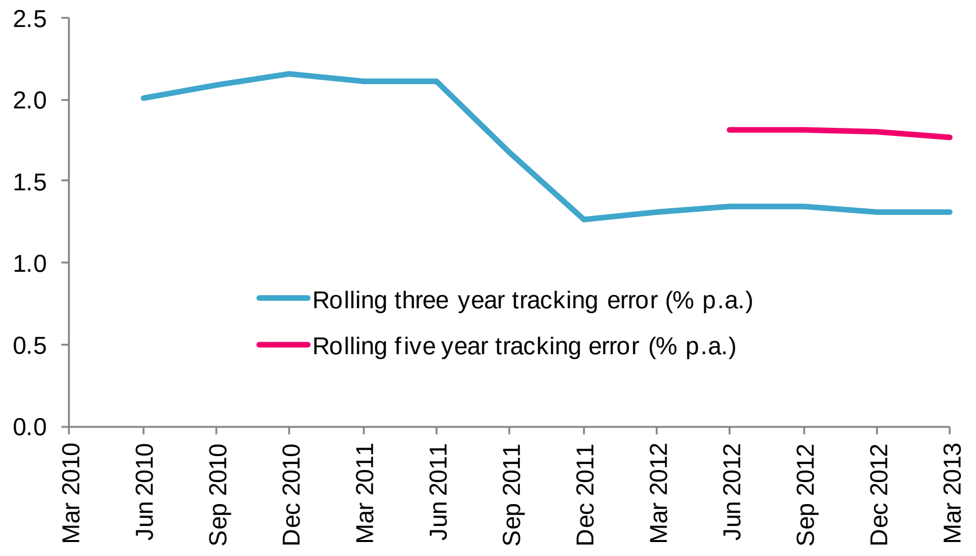
Performance to 31 March 2013	**1 year (%)**		
	Fund	**WM LA**	**+/-**
Total Scheme	**13.4**	**13.8**	**-0.4**
UK equities	15.9	18.0	**-2.1**
European (ex-UK) equities	14.0	20.4	**-6.4**
North American equities	17.8	19.0	**-1.2**
Japanese equities	11.8	15.4	**-3.6**
Asia Pacific (ex-Japan) equities	17.6	19.2	**-1.6**
Emerging Market equities	7.2	10.5	**-3.3**
UK bonds	10.5	10.6	**-0.1**
Property	-0.9	2.8	**-3.7**

Source: WM. Excludes private equity.

The following chart shows the rolling three and five year tracking errors for the Scheme.

Tracking error is the difference between the Scheme's actual investment performance and the returns from the target benchmark. Tracking error will be lower when more assets are invested on a passive basis.

Rolling three and five year tracking error



Source: Estimated by Hymans Robertson using quarterly historical returns from WM.

As a very broad indicator of risk at a Scheme level, the chart suggests that the additional allocation to passively managed funds has contributed to a reduction of overall risk.

Manager performance

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

Performance to 31 March 2013	1 year (%)			3 years (% p.a.)		
	Fund	B'mark	+/-	Fund	B'mark	+/-
Total Scheme	**13.4**	**13.8**	**-0.4**	**7.5**	**8.5**	**-0.9**
Alliance Bernstein – Active Global Equities	15.5	16.3	**-0.8**	7.3	7.7	**-0.4**
BlackRock – Passive Global Equities	16.3	16.6	**-0.3**	8.3	8.3	**0.0**
Fidelity – Bonds	10.5	8.7	**1.8**	10.1	8.7	**1.4**
CBRE – Property	-0.9	0.7	**-1.2**	4.0	5.1	**-1.1**

Source: Managers, WM.

Alliance Bernstein

Alliance Bernstein delivered an absolute return of 15.5% and 7.3% p.a. over the one and three year periods to 31 March 2013, underperforming their benchmark by 0.8% and 0.4% respectively. This followed a reorganisation of assets near the beginning of the period when a partial transition of assets was made to BlackRock passive funds. However, as equity market investors continued to favour high-dividend paying, defensive stocks not currently favoured by Alliance Bernstein, the portfolio continues to lag its benchmark.

BlackRock

The portfolio managed by BlackRock on a passive basis continues to perform broadly in line with its benchmark over the one and three year periods to 31 March 2013 and in line with expectations.

Fidelity

The Aggregate Bond Fund outperformed its composite benchmark over the one and three year periods by 1.8% and 1.4% p.a. respectively. Continuing monetary easing efforts by global central banks helped maintain investor risk appetite and returns were mainly driven by the fund's overweight position in corporate bonds, particularly those at the lower rated end of investment grade.

CBRE

The CBRE property fund of funds portfolio has underperformed its benchmark over the one and three year periods by 1.2% and 1.1% p.a. respectively. Underperformance was broadly driven by some underlying fund-specific issues, in particular the UBS Triton Property Unit Trust which suffered severe redemption pressures over the period.

Private equity

The Scheme invests in two private equity portfolios.

LGT Capital Partners – the Scheme invests in the Crown European Private Equity Fund. The net internal rate of return ("IRR") of the portfolio at 31 March 2013 was 7.5% p.a. and the total value to capital called from investors ("TVPI") was 1.3 times (i.e. 130% of the initial investment).

Wilshire – the Scheme invests in three funds as shown below:

- Fund VII US – the fund produced a net IRR of 4.4% p.a. with a TVPI of 1.19 times.
- Fund VII Europe – the fund produced a net IRR of 1.8% p.a. with a TVPI of 1.07 times.
- Fund VII Asia – the fund produced a net IRR of 5.9% p.a. with a TVPI of 1.26 times.

Largest holdings

The following table gives the top 10 pooled fund holdings of the Scheme at 31 March 2013.

Top 10 global holdings as at 31 March 2013	**Market value (£m)**	**Weight (%)**
1 – BR UK Equity Tracker Fund	175.6	20.0
2 – Fidelity UK Aggregate Bond Fund	172.5	19.6
3 – Aquila Life UK Equity Index Fund	130.1	14.8
4 – Aquila Life US Equity Index Fund	33.9	3.9
5 – Aquila Life Pacific Rim Equity Index Fund	27.2	3.1
6 – Aquila Life European Equity Index Fund	17.8	2.0
7 – BLK Emerging Markets Equity Index Fund	17.7	2.0
8 – Aquila Life Japan Equity Index Fund	14.1	1.6
9 – Aquila Life Emerging Markets Index Fund	8.7	1.0
10 – Hercules Unit Trust	5.5	0.6
List total	**607.8**	**69.1**

The following table gives the top 10 publicly traded stocks held outside the pooled fund holdings at 31 March 2013.

Top 10 global holdings as at 31 March 2013	Market value (£m)	Weight (%)
1 – Roche Holding AG-Genusschein	3.2	0.4
2 – Apple Inc	3.0	0.3
3 – British American Tobacco Plc	2.8	0.3
4 – Danaher Corp	2.4	0.3
5 – Anheuser-Busch Inbev NV	2.3	0.3
6 – Nippon Telegraph & Telephone NPV	2.2	0.2
7 – Partners Group Holding AG	2.1	0.2
8 – Pfizer Inc	2.0	0.2
9 – Nestle	2.0	0.2
10 – AIA Group	1.9	0.2
List total	**23.9**	**2.7**

ACTUARIAL REPORT

The fund undergoes a full actuarial valuation every three years. This determines the Fund's funding level and the employer contribution rates required to restore the fund to a 100% funding level (i.e. the Fund has enough assets to cover 100% of its liabilities). The last valuation was carried out as at 31 March 2010. An actuarial valuation of the fund as at 31 March 2013 is currently in progress.

Below is a statement from the Fund's actuary summarising the 2010 valuation. The full 2010 Actuarial Valuation report can be found on our website:

http://www.royalgreenwich.gov.uk/downloads/file/704/valuation_report_2010

Statement by the Fund's Actuary

Introduction
The last full triennial valuation of the Royal Borough of Greenwich Pension Fund was carried out by Barnett Waddingham as at 31 March 2010 in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997 (as amended). The results were published in our report dated March 2011.

2010 Valuation
The 2010 valuation certified a common contribution rate of 18.5% of pensionable pay to be paid by each employing body participating in the Royal Borough of Greenwich Pension Fund. In addition to this each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The results for the Fund were as follows

- The funding level was determined to be 85%, i.e. the value of the accumulated assets represented 85% of the value of the accrued liabilities of Fund as at the valuation date.
- The common contribution rate was set at 18.5% of payroll assuming the funding level was to be restored over a 23 year period.

- In addition, adjustments were made, where appropriate, to individual Employers' contribution rates as set out in the Rates and Adjustments Certificate.
- The funding level of the Fund had decreased from 99.5% at the 2007 triennial valuation.

Valuation Method

The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants being valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age Method.

Contribution rates

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

- 100% of the liabilities in respect of each employer that have built up within the Fund in respect of service to the valuation date, allowing for future pay increases and increases to pension in payment when these fall due
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund.

Asset Value and Key Financial Assumptions

The value of the Fund's assets as at 31 March 2010 for valuation purposes was £702m. The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

Rate of return on investments	6.7% per annum
Rate of increase in pay	5.0% per annum
Rate of increase to pensions in payment	3.0% per annum

Post Valuation Events

Since March 2010 investment returns have overall been higher than assumed at the 2010 valuation but market changes will also have increased the value of the liabilities. The next actuarial valuation is as at 31 March 2013; the preliminary results will be available in late 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014.

As part of the valuation, the actuarial assumptions used to value the liabilities will be fully reviewed. It is likely that a greater allowance for future mortality improvements will be made at the 2013 valuation which will give a lower funding level than the assumptions used in 2010 but this may be offset by other changes such as allowing for changes made to the inflation indices by the Office for National Statistics. It is also likely that other changes to the assumptions and methodology will be made after discussions with the Fund.

The funding level at 31 March 2013 will therefore depend on the outcome of the above review and discussions but we do not currently expect there to be a significant difference compared to the 2010 position.

Alison Hamilton FFA
Partner
13 June 2013

ADMINISTRATION REPORT

Staff and duties

The pension service comprises of 11 full time equivalent staff covering both the employing and administration duties. The services provided by the pension section consist of:

- Administration of the Local Government Pension Scheme (LGPS) in accordance with relevant legislation
- Maintaining accurate records for each member of the pension scheme (including the employing authority and every admitted body that contributes to the Royal Borough of Greenwich Pension Fund)
- Aiming to achieve high standard with regards to service delivery and customer service
- Providing information to scheme members
- Providing guidance to the Pension Fund Investment and Administration Panel on pension legislation and the options that are available
- Improving standards and efficiency and to keep costs under scrutiny
- Developing plans to increase IT efficiency and give members more options with regards to accessing details of their pension benefits and information
- Training and developing staff in respect of any changes to legislation and to meet the service requirements.

The pension team has completed 4,389, to give an average of 627 cases per full time equivalent member of the team. Over the course of the year the team received 2 disputes, less than 0.05% of the total cases worked on by the section. Both disputes have had the Authority's decision upheld.

Projects

Current projects in 2012 included:

1 Implementing a HR Management System (HRMS)

2 the introduction and development of the pensions administration system

3 the introduction and development of the pension payroll system

The year to come

Looking forward to 2013-14, the Pensions Team are in preparation for the triennial valuation which is the mechanism for agreeing the contribution rate for each employing body within the fund for the next 3 years.

Projects commencing in 2013 are as follows:

1. Implementing auto enrolment: a government initiative that requires each employer to enrol any member of staff who meets legislative criteria into a qualifying pension scheme. The pensions team has managed the communication process with members of staff, unions, panel members and budget holders, giving presentations, writing letters, updating the website with information and frequently asked questions as well as answering questions and assisting in the decision making process.

Auto enrolment is due to go live for RBG on 1 June 2013, therefore the administration for the scheme in respect of RBG alone is likely to increase (if only for a short period) by approximately 30%, this will require the pensions team to set up and communicate with over 1,600 new members. Additionally the team will be required facilitate the wishes over anyone who wants to opt out of the scheme as well.

2. Real Time Information (RTI): this refers to the HMRC requirement that all employers move to RTI by the end of September 2013. The pension service has a

go live date of August 2013, which has required a change to processes and procedures in regards to the information and the method that is used to submit details to HMRC, is also currently underway.

3. Self Service: the Council is continuously looking for ways to provide members with easier access to their data and to reduce costs, and the member self-service system is planned to be fully operational by March 2014. This will allow members to access their Annual Benefit Statements, Deferred Benefit statements, pension payslips, P60's and gives the ability to members to amend certain personal details such as their address.

The LGPS is changing to meet the demands of operating in a lower cost, more efficient environment and also a mature membership base. The drive to achieving sustainability is fast approaching with major legislation currently in draft format. These changes are due to be implemented in April 2014, therefore there will be a major communication project necessary with members of the pension scheme and training for the pension staff so that they remain up to date with current legislation.

We will continue to provide advice, guidance and training to new or prospective employees and employers including Academies on their responsibilities under the LGPS Regulations.

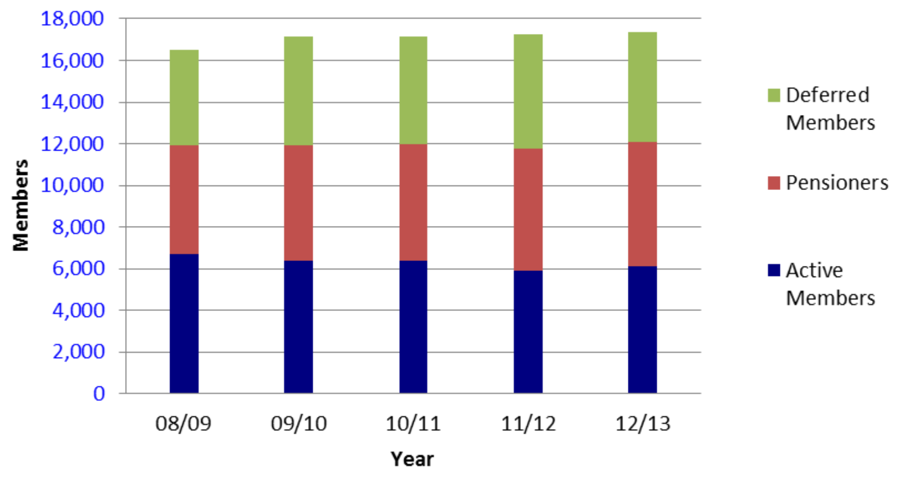
In addition to delivering the above the pension service, this year aim to have all their benefit statements sent to deferred and active members by 30 September 2013.

Membership Summary

The following table and graph shows a summary of membership numbers over the last five years. Whilst the number of active members has decreased by 9% over 5 years, the number of pensioners and deferred members has increased:

Membership numbers over 5 years.

Membership	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**5 Yrs**
Active	6,694	6,389	6,364	5,929	6,116	-9%
Pensioners	5,225	5,549	5,599	5,816	5,992	15%
Deferred	4,584	5,186	5,198	5,510	5,223	14%
Total	**16,503**	**17,124**	**17,161**	**17,255**	**17,331**	5%



The following graph shows the change in the composition of the membership over the last five years. In the last five years the proportion of active members and pensioners have converged and they now each make up around 35% of the total membership of the fund with the remaining 30% being made up of deferred members.

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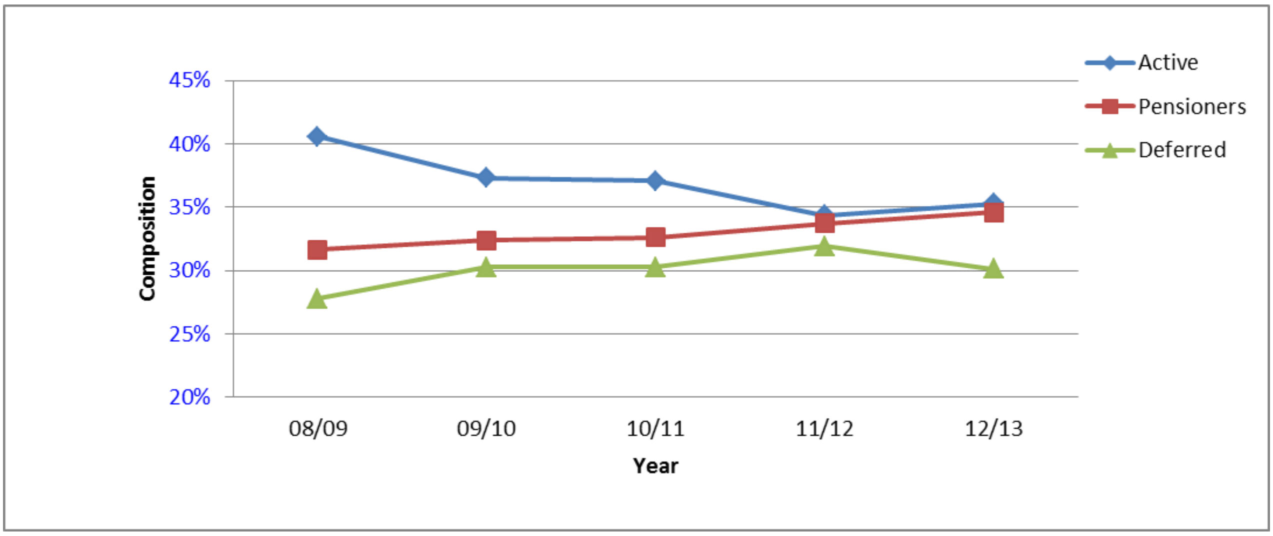
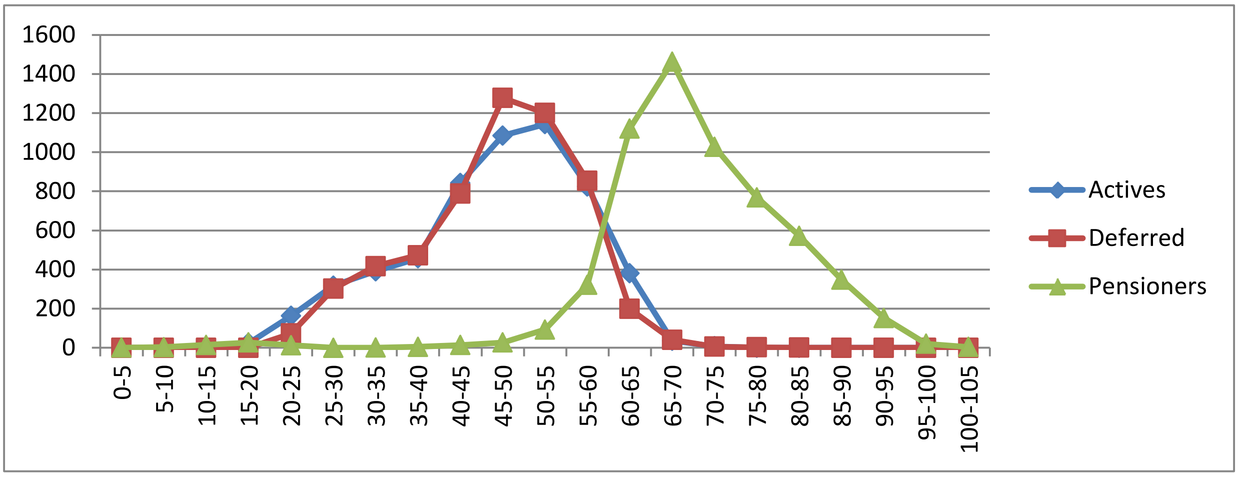
Change in Composition of Membership Numbers over 5 Years:



The average age of an active member of the Fund is 47 and the average for our pensioner members is 71, with the oldest being 103 years old. The profile of the Fund's membership is depicted in the graph below.

Profile of Fund Membership:



Employers Summary

The Royal Borough of Greenwich is the largest employer in the Fund with 91% of members of the Fund having worked for or currently working for this employer. There are currently 31 other employers in the fund with actively contributing members.

The following table lists the active employers in the fund, the contributions made by them and their employees in the year. Statute specifies that contributions must be paid into the fund by the 19th of the following month to that which they relate. The table shows the percentage of contributions paid within this time scale.

Employer	Employers Contributions	Employees Contributions	Total Contributions	% received by due date
Royal Borough of Greewich	22,000,243.62	7,976,167.04	29,976,410.66	100
Eltham Crematorium	68,822.24	28,284.60	97,106.84	100
Greenwich Mind Ltd	30,758.98	12,467.15	43,226.13	100
Greenwich Mencap	10,980.52	4,082.70	15,063.22	83
Simba Housing Association	11,181.72	4,521.84	15,703.56	100
The Greenwich Development Corporation	19,120.10	8,690.98	27,811.08	42
Greenwich Leisure Ltd	918,384.23	390,082.43	1,308,466.66	100
Avante	5,070.00	1,997.28	7,067.28	100
Bridge 86	3,919.20	1,543.92	5,463.12	83
St Mary's (Eltham) Community Complex Association	4,344.81	2,389.57	6,734.38	100
Greenwich West Community & Arts Centre	13,178.65	5,645.11	18,823.76	92
First Step Trust	30,698.77	13,201.48	43,900.25	100
Greenwich Co-operative Development Agency	4,568.41	1,896.55	6,464.96	8
Greenwich Citizen Advocacy Project	20,767.93	8,591.29	29,359.22	100
St Paul's Academy	132,094.35	49,233.55	181,327.90	100
Woolwich Common Community Centre	5,154.84	2,030.64	7,185.48	75
Clockhouse Community Centre	2,563.68	901.20	3,464.88	100
Sanctuary Care Ltd	128,486.83	38,230.79	166,717.62	100
Wide Horizons Outdoor Education Trust	62,349.44	22,701.22	85,050.66	100
Glyndon Community Centre	20,637.72	7,794.36	28,432.08	100
Greenwich Service Solutions	1,246.57	402.53	1,649.10	100
Greenwich Service Plus	1,126,984.63	399,185.38	1,526,170.01	100
G4S	28,798.10	9,310.91	38,109.01	92
Capita	30,655.89	10,738.64	41,394.53	100
KCA	4,951.80	1,950.72	6,902.52	100
Corelli College	218,528.32	73,738.15	292,266.47	100
Charlton Athletic Community Trust	19,816.70	6,947.36	26,764.06	93
Greenwich Leisure Ltd Libraries contract	209,907.28	87,670.52	297,577.80	93
Charlton Free School	12,988.55	4,713.26	17,701.81	100
Charlton Academy	122,315.38	41,981.89	164,297.27	100
Harris Academy	71,597.97	24,368.46	95,966.43	56
Shooters Hill Academy	82,501.33	29,125.00	111,626.33	100

The Pensions Regulations allows for interest to be levied on contributions that are not paid on time. This power was not exercised during 2012/13.

GOVERNANCE ARRANGEMENTS

Delegated Powers and Responsibilities

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

- To exercise all relevant functions conferred by regulations made under the Superannuation Act 1972
- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund
- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.
- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.
- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.
- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.

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

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

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Panel Attendance in Municipal Year 2012/13

The table below shows the meeting attendance of Pension Fund Investment and Administration Panel members over the course of the year.

Councillor	**2012**				**2013**	
	25/06	**23/07**	**17/09**	**17/12**	**25/02**	**18/03**
Don Austen (Chair)	✓	✓	✓	✓	✓	✓
Mick Hayes	✓	✓	✓	✓	✓	✓
Angela Cornforth	✗	✓	✓	✗	✓	✓
Peter Kotz	✓	✓	✓	✗	✗	✓
Allan MacCarthy	✗	✓	✓	✓	✓	✓
Neil Dickinson	✓	✓	✓	✓	✓	✓

Member Training

The first Myner's Principle (see Statement of Investment Principles Appendix E) states that:

"Administering authorities should ensure that:

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

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

The Fund has a Knowledge and Skills Policy Statement (Appendix G) which states that:

"The Royal Borough of Greenwich recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills."

In light of the above training took place in 2013. It was attended by Panel members and officers. The training was run jointly by internal officers and Blackrock. It covered such areas as the LGPS regulations, different types of assets and the markets they operate in, asset liability modelling, strategic asset allocation, manager selection, triennial actuarial valuation and the role of the Panel. Further training will take place in 2014.

Policy and Process of Managing Conflicts of Interest

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

Publication of Information

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

http://committees.greenwich.gov.uk/ieListMeetings.aspx?CId=134&Year=0

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

http://www.royalgreenwich.gov.uk/info/10069/financial_information/835/royal_borough_of_greenwich_pension_fund/2

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

The Local Government Pension Scheme (Administration) Regulations 2008 Regulation 31 requires all administering authorities to produce a Governance Compliance Statement. This statement must set out whether the Administering Authority delegates its function and if so what the terms, structure and operation of the delegation are. The administering authority must also state the extent to which a delegation complies with guidance given by the Secretary of State. The Governance Compliance Statement for the Pension Fund is reviewed annually. The current statement can be found in Appendix C.

Funding Strategy Statement

Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 requires all administering authorities to produce a Funding Strategy Statement. The purpose of the Funding Strategy Statement is to explain the funding objectives of the Fund, in particular:

- How the costs of the benefits provided under the LGPS are met through the fund
- The objectives in setting employer contribution rates
- The funding strategy that is adopted to meet these objectives.

The Funding Strategy Statement is reviewed every three years at the same time as the triennial actuarial valuation of the fund. An interim review of the statement may be carried out and a revised statement published if there has been a material change in the policy matters set out in the statement or there has been a material change to the Statement of Investment Principles. The current full statement can be found in Appendix D.

Statement of Investment Principles

Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires administering authorities to publish a Statement of Investment Principles. This statement provides details of the fund's investment policies including:

- The types of investment to be held
- The balance between different types of investment
- Expected returns on investments
- Risk measurement and management

The statement also details the Fund's compliance with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – a guide to the application of the 2008 Myners Principles to the management of LGPS funds'.

The Statement of Investment Principles is reviewed annually. The current version can be found in Appendix E.

Knowledge and Skills Statement

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

Communications Policy Statement

The Local Government Pension Scheme (Administration) Regulations 2008 require all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's strategy for communicating with members, members' representatives, prospective members and employing authorities, together with the promotion of the Scheme to prospective members and their employing authorities. The Communications Policy Statement is reviewed at least annually. The latest statement can be found in Appendix F.

RISK MANAGEMENT

Risk Management and Governance

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

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

The risk management process involves: Risk identification, risk analysis, risk control and monitoring.

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

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

How Risks are Identified, Managed and Reviewed

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

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

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

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

This process identifies the risks with the highest scores which are then closely monitored.

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

Key Risks

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

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

Under each category are details of individual risks within the category. The following table details the risks that have been identified as having high scores and therefore require close monitoring:

Risk	Consequence	Controls	Score
Illiquidity	Assets sold at depressed valuation / investment opportunity missed. Inability to realise investments to pay benefits.	Limit on illiquid assets. Cash flow forecast.	20
Investment Return	If less than actuarial assumption could lead to increased deficit and additional contributions.	Diversified portfolio. Periodic asset liability study. Extended deficit recovery period.	16
Manager Performance	Fund manager underperforms benchmark	Manager selection and monitoring. Appropriate benchmarks.	20
Systemic Risk	Financial market volatility affecting multiple asset classes leading to sharp reduction in assets.	Diversification. Liquidity Levels. Custody arrangements.	16
Discount rate	Yields change beyond assumptions further increasing liabilities, reducing funding levels and increasing employer contributions	Frequent market monitoring. Prudent assumption adoption. Hold assets matching liabilities.	16

Management of Third Party Risk

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

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

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

COMMUNICATIONS

Registered Address……..………...……	Director of Finance Royal Borough of Greenwich The Woolwich Centre 35 Wellington Street Woolwich London SE18 6HQ
Administration Enquiries………….…..	Email: pensions@royalgreenwich.gov.uk Tel: 020 8921 4933
Investment Enquiries………………….	Email: treasury@royalgreenwich.gov.uk Tel: 020 8921 6181
Complaints and Advice……………….	The Pensions Advisory Service 11 Belgrave Road London SW1V 1RB Tel: 0845 601 2923 Email: www.pensionadvisoryservice.org.uk/online-enquiry Website: www.pensionsadvisoryservice.org.uk
The Office of the Pensions Ombudsman…………………………..	11 Belgrave Road London SW1V 1RB Tel: 020 7630 2200 Email: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk

ROYAL borough of GREENWICH

GLOSSARY

Active Equities/Active Manager

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

Active Members

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

Admitted Body

An organisation that is an employer in the Pension Fund other than a result of founding statute. Admitted bodies have no automatic right to membership under the legislation. It enables contractors, who take on an authority's services or functions with employees transferring from the authority, to offer the transferring staff continued eligibility of the transferring authority's pension scheme.

Asset Allocation

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

Asset Liability Modelling

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

AVCs (Additional Voluntary Contributions)

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

Benchmark

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

Corporate Governance

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

Custodian

The custodian keeps a record of clients' investments and may also collect income, process tax reclaims and provide other services.

Deferred Members

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

Employee Contribution Rate

The percentage of pensionable pay that members of the fund pay as a contribution into the Pension Fund

Employer Contribution Rate

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

Fund Manager

A professional manager of investments for a Pension Fund

Index Tracking Funds (see also Passive)

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

LGPS

Local Government Pension Scheme.

Longevity

The length or duration of human life

Myners

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

Passive

A style of investment management where the fund manager aims to match the performance of a benchmark return (see also Index Tracking Funds).

Pensioner Member

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

Pension Fund

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

Risk / Return

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

Securities

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

SIP

Statement of Investment Principles is a document setting out the principles governing decisions about investments.

SRI

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

Appendix A - Scheme Benefits (1997 and 2008)

LGPS Benefits

	LGPS 1997	LGPS 2008
General Features		
Type of Scheme	Final salary	
Relationship with S2P	Contracted-out	
Member Contributions	6% 5% for manual workers in scheme prior to 01/04/1998	Banded Contributions based on full time pay as at 1st April 2011 Range: £0 - £12,900 — Cont Rate: 5.50% £12,901 - £15,100 — 5.80% £15,101 - £19,400 — 5.90% £19,401 - £32,400 — 6.50% £32,401 - £43,300 — 6.80% £43,301 - £81,100 — 7.20% More than £81,100 — 7.50% Bands to be increased annually with Pension Increase Orders.
Final Pay	In general, best of the last 3 years pensionable pay	
Pensionable Pay	Normal salary plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified as being pensionable.	
Retirement Benefits		
Normal Retiring Age	Age 65	
Early Retirement	Age 55+. Employer consent required if below age 60. Minimum 3 months membership or transfer in Benefits reduced unless Rule of 85 applies (member of the scheme as at 30th September 2006) Rule of 85 does not apply for service from 1 April 2008, subject to transitional protections. Employer's discretion to waive any actuarial reduction. No reductions applied for redundancy / efficiency retirements.	
Transitional Protections	If born before 1 April1960 and an existing member of the Scheme as at 30 September 2006 then 85 year rule stays for service up to 1 April 2016 with tapered protection to 1 April 2020.	
Flexible Retirement	Age 55+	

Contribution bands (LGPS 2008):

Range	Cont Rate
£0 - £12,900	5.50%
£12,901 - £15,100	5.80%
£15,101 - £19,400	5.90%
£19,401 - £32,400	6.50%
£32,401 - £43,300	6.80%
£43,301 - £81,100	7.20%
More than £81,100	7.50%

<table>
<tr><th>General Features</th><th>LGPS 1997</th><th>LGPS 2008</th></tr>
<tr><td></td><td colspan="2">At employers discretion

Minimum 3 months membership or transfer in

Reduce hours or move to a lower graded post

Draw pension benefits and salary

Employers discretion to waive any actuarial reduction</td></tr>
<tr><td>Late Retirement</td><td colspan="2">Continue to day before eve of 75th birthday

Benefits accrue to date of retirement

Benefits actuarially increased after age 65</td></tr>
<tr><td>Ill Health Retirement</td><td>Permanently unable to undertake own job or any comparable job with employer. Benefits are enhanced as per the table below with a maximum enhancement of potential membership to age 65

<table>
<tr><th>Accrued Membership</th><th>Benefit Payable</th></tr>
<tr><td>Less than 3 months</td><td>Refund of contributions</td></tr>
<tr><td>3 months to 5 yrs</td><td>Accrued Membership</td></tr>
<tr><td>5 but less than 10 yrs</td><td>Membership Doubled</td></tr>
<tr><td>10 yrs to 13 yrs 122 days</td><td>Membership Enhanced to 20 yrs</td></tr>
<tr><td>13 yrs 123 days or more</td><td>Membership Enhanced by 6 2/3 yrs</td></tr>
</table></td><td>Permanently unable to undertake own job or any comparable job with employer. Benefits are graded based on how likely you are to be capable of gainful employment after you leave.

First Tier - No reasonable prospect of alternative employment before NRD then service enhanced by 100% of prospective service to age 65.

Second Tier - No prospect of obtaining gainful employment within a period of 3 years after leaving local government employment, but likely to be able to obtain gainful employment before 65 then service enhanced by 25% of prospective service.

Third Tier - Reduced likelihood of obtaining gainful employment within 3 years of leaving, then no service enhancement. Payment of these benefits will be stopped after 3 years, or earlier if the member is in gainful employment or becomes capable of such employment, provided they are not age 65 by then.</td></tr>
<tr><td>Benefit Accrual</td><td>Pension = 1/80th

Lump Sum = 3/80th plus increased lump sum by commutation 12:1 up to a maximum of 25% of lifetime allowance

Spouse's Pension = 1/160th</td><td>Pension = 1/60th

Lump Sum = By commutation 12:1 up to a maximum of 25% of lifetime allowance

Spouse's Pension = 1/160th</td></tr>
<tr><th colspan="3">Death and Survivor Benefits</th></tr>
<tr><td>Lump Sum Death Benefit</td><td>Active = 2 x Pensionable Pay

Deferred = Current value of deferred lump sum

Pensioner = 5 year guarantee less pension paid</td><td>Active = 3 x Pensionable Pay

Deferred = 5 x Current value of deferred annual pension

Pensioner = 10 year guarantee less pension paid (for death before age 75)</td></tr>
</table>

General Features	LGPS 1997	LGPS 2008
Dependants' Provision	Widow(er)s Registered civil partners	Widow(er)s Registered civil partners Nominated cohabiting partners
Dependants' Pension (Death in Service)	If membership > 3 months 50% x notional ill health pension Otherwise 1/160th x accrued membership	1/160th x full prospective service to age 65
Spouse's Short Term Pension	Active = 3 months x salary (increased to 6 months if dependent children) Deferred = none Pensioner = 3 months x member's pension (increased to 6 months if dependent children)	None
Children's Pensions	**Surviving Parent** 1 child = 1/4 x notional pension 2+ children = 1/2 x notional pension divided by number of children **Orphans** 1 child = 1/3 x notional pension 2+ children = 2/3 x notional pension divided by number of children For death in service the notional pension is the ill health pension or a pension based on the lesser of 10 years and full service to age 65 where this is higher.	**Surviving Parent** 1 child = 1/2 x dependant's pension 2+ children = 1 x dependant's pension divided by number of children **Orphans** 1 child = 2/3 x dependant's pension 2+ children = 1 1/3 x dependant's pension divided by number of children
Increasing Benefits		
AVCs	Maximum contributions – 50% of taxable earnings Options available: Open market annuity LGPS Top Up Pension Tax Free Lump Sum (100% of fund up to max of 25% of Lifetime Allowance) LGPS Service Credit (if commenced AVCs prior to 13/11/2001)	
Added Years/Pension	Maximum purchase 6 2/3 years	Maximum purchase £5,000 extra pension (in multiples of

General Features	LGPS 1997	LGPS 2008
	Payable from next birthday to age 65 (contracts taken out before 01/10/2006 may have an earlier date than age 65)	£250).
Leaving the Scheme		
Benefits on Leaving	**Less than 3 months membership and no transfer in** Refund of contributions CETV Defer decision **More than 3 months membership or transfer in** CETV Defer Benefits until NRA	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BOROUGH OF GREENWICH

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Royal Borough of Greenwich for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Royal Borough of Greenwich in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Susan M Exton
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

31 July 2013

Fund Account

31 March 2012		Notes	31 March 2013
£000			£000
	Dealings with Members, Employers and Others directly involved in the Scheme		
	Contributions Receivable:	5	
(27,106)	Employer Contributions		(25,796)
(9,667)	Member Contributions		(9,284)
(2,513)	Transfers in from Other Pension Funds	6	(3,966)
	Benefits:	7	
29,136	Pensions		32,328
14,097	Lump Sum & Death Benefits		9,685
2,800	Payments to and on account of Leavers	8	12,720
827	Administration Expenses	9	963
7,574	**Net (additions) / withdrawals from Dealings with Members**		**16,650**
	Returns on Investment		
(10,474)	Investment Income	10	(6,181)
(9,952)	Profit and Losses on disposal of Investments and Changes in Value of Investments	13	(101,079)
194	Taxes on Income	11	141
1,575	Investment Management Expenses	12	1,343
(18,657)	**Net Returns on Investment**		**(105,776)**
(11,083)	**Net (increase) / decrease in the Net Assets available for Benefits during the year**		**(89,126)**

ROYAL borough of GREENWICH

Net Asset Statement

31 March 2012		Notes	31 March 2013
£000			£000
	Investment assets		
241,684	Equities	13	166,861
	Pooled Investment Vehicles:	13	
156,208	Fixed Interest OEIC		172,487
54,341	Property Unit Trusts		51,680
283,893	Unitised Insurance Policies		225,462
13,849	Other Unit Trusts		223,491
0	Derivative Contracts	13	18
1,600	Property – Freehold	3	1,600
27,361	Private Equity	14 & 23	28,025
14,711	Cash Deposits	19	7,895
2,260	Other Investment Balances	18	7,656
	Investment Liabilities		
(11)	Derivative Contracts	13	(13)
(3,334)	Other Investment Balances	18	(6,005)
792,562	**Net Investment Assets / (Liabilities)**		**879,157**
	Current Assets		
226	Contributions Due	18	236
22	Other Current Assets	18	59
3,599	Cash Balances	19	6,747
	Current Liabilities		
(504)	Unpaid Benefits	18	(306)
(19)	Other Current Liabilities	18	(881)
3,324	**Net Current Assets / (Liabilities)**		**5,855**
795,886	**Net Assets of the Scheme available to fund Benefits at the Period End**		**885,012**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2013. The triennial actuarial valuation of the Fund does take into account the long term liabilities of the fund. An overview of the valuation is provided in note 17. The full valuation report can be viewed by visiting www.royalgreenwich.gov.uk.

ROYAL borough of GREENWICH

Notes to the Pension Fund Accounts

1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal Borough of Greenwich Pension Fund Annual Report 2012/2013 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme Regulations.

a) General

The Royal Borough of Greenwich Pension Fund (the "Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich. It is a contributory defined pension scheme to provide pensions and other benefits for employees of the Royal Borough of Greenwich and those organisations with admitted or scheduled body status within the Fund. The Fund is overseen by the Royal Borough of Greenwich Pension Investment and Administration Panel. The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009.

b) Membership

All employees (except teachers) with a contract of employment greater than 3 months are eligible to join the scheme. Membership of the Fund 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 fund include:

- Administering Authority: This is the Royal Borough of Greenwich (the "Authority")
- Scheduled Bodies: Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund. The scheduled bodies of the Fund are Eltham Crematorium, St Paul's Academy, Greenwich Service Solutions Limited, Greenwich Service Plus Limited, Corelli College, Greenwich Free School, Charlton Academy, Harris Academy and Shooters Hill Academy,
- Admitted Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 32 active employer organisations within the Fund as at 31 March 2013 (27 as at 31 March 2012).

The following table summarises the composition of the membership of the Fund as at 31 March 2013.

Membership	Administering Body		Admitted Bodies		Scheduled Bodies	
	12/13	11/12	12/13	11/12	12/13	11/12
Employees contributing into Fund	5,102	5,094	340	272	674	563
Pensioners / Dependents	5,795	5,664	121	104	76	48
Former Members entitled to Deferred Benefits	4,928	5,267	186	172	109	71

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and by employers whose rates are set based on the triennial actuarial funding valuations.

d) Benefits

Pension benefits are based on final pensionable pay and length of pensionable service. There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. Benefits are index-linked in order to keep pace with inflation.

New Local Government Pension Scheme regulations are due to come into force in April 2014. The proposed new regulations include moving to a career average scheme, a $1/49^{th}$ accrual rate (currently $1/60^{th}$), linking retirement age to State Pension Age and a 50/50 scheme option allowing members to pay half the contributions in return for half the benefits. Benefits accrued prior to 1 April 2014 will be protected, including benefits based on final salary and current retirement age.

2 Basis of Preparation

The Statement of Accounts (the "Accounts") summarise the Fund's transactions for the 2012/2013 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 17 of these accounts.

3 Summary of Significant Accounting Policies

a) Accounts

The Accounts summarise the transactions and net assets of the Fund and comply in all material respects with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 which is IFRS compliant.

b) Basis of Preparation

The most recent actuarial valuation was carried out as at 31 March 2010. This determined contribution rates for the next three years (from 1 April 2011) with an aim to maintain the solvency of the fund. Therefore these Accounts have been produced on a going concern basis.

c) Investment Valuations and their effects

Investments are shown in the Net Asset Statement at either their market or fair value, which has been determined as follows:

(i) Listed securities are shown by reference to bid-market price at the close of business on 31 March 2013.

(ii) Unit trust and managed fund investments are stated at the bid price quoted by their respective managers prior to the close of business on 31 March 2013. The exceptions to this are an Alliance Bernstein unit trust, closed ended property funds and fixed interest Open Ended Investment Companies (OEICs), which are valued on a Net Asset Value basis.

(iii) Private Equity valuations are based upon the underlying investments within each portfolio, the majority of which are based upon figures as at 31 December 2012, reflecting the nature of valuing those investments. The cashflows are adjusted up to 31 March 2013. It is less easy to trade private equity than it is for quoted investments. Therefore, when the assets are realised the amount received may not necessarily be the amount that they are valued at and any differences could be significant.

d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

e) Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

IFRS 7 Financial Instruments: Disclosures has been adopted for the 2012/2013 accounts. The new standard requires that additional disclosures are made surrounding continuing interests in derecognised assets. The Fund does not engage in securities lending, securitisation and other activities that give rise to this event. Therefore the adoption of this standard has had no impact on the accounts.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

f) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Accounts.

g) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- fair value through profit or loss - assets that are held for trading.

h) Debtors and Creditors

Except where otherwise stated, the Accounts have been prepared on an accruals basis i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The main exception to this is transfers in and out of the fund which are accounted for on a cash basis.

i) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Net Asset Statement but are disclosed in a note to the Accounts.

j) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Any recoverable amounts outstanding at the Reporting Period end will be classified as a debtor.

k) Property

The fund owns the freehold of one investment property – New Lydenburg Industrial Estate. The property was revalued as at 31 March 2012 at a value of £1.6m by Simon Marsh, whom is a Valuer employed by the Royal Borough of Greenwich and a member of the Fund, utilising the Appraisal and Valuation Standards Manual 6th Edition published by The Royal Institution of Chartered Surveyors. The valuation was based on the Open Market Value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and characteristics of the particular locality. Any surplus / deficit on valuation is reflected in the Fund Account and is shown as a Change in Market Value of Investments. The fund receives £0.115m rental income per year in respect of this property.

l) Fees

Investment management fees are calculated by reference to the market value of portfolio assets under management at the end of each quarter. The exceptions to this are Fidelity, where market value based fees are charged on a daily basis and Private Equity fees, which are based upon amounts committed to each manager.

m) Foreign Currency

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into Sterling at the rate ruling on 31 March 2013.

4 Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the Authority 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 from the assumptions and estimates. The following items have a significant risk of material adjustment in the forthcoming financial year:

a) Private Equity

Private Equity investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The valuation of private equity investments is subjective. They are inherently based on forward-looking estimates and judgements involving many factors.

b) Pension Fund liability

It is a statutory requirement that the funding level is calculated every three years by the appointed actuary in order to determine employer contribution rates for the forthcoming three years. However the methodology used here is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 17. These estimates are subject to significant variances based upon changes to the underlying assumptions

5 Contributions Receivable

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during 2012/2013 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

2011/2012		2012/2013
£000		£000
	Employee Contributions:	
(8,593)	Administering Authority	(7,990)
(518)	Admitted Bodies	(643)
(556)	Scheduled Bodies	(651)
(9,667)	**Total Employee Contributions**	**(9,284)**
	Employer Contributions:	
(24,160)	Administering Authority	(22,352)
(1,424)	Admitted Bodies	(1,604)
(1,522)	Scheduled Bodies	(1,840)
(27,106)	**Total Employer Contributions**	**(25,796)**
(36,773)	**Total Contributions Receivable**	**(35,080)**

6 Transfers in from Other Pension Funds

2010/2011		2011/2012
£000		£000
(231)	Bulk Transfers	0
(2,282)	Individual Transfers	(3,966)
(2,513)	**Total Transfers in from Other Pension Funds**	**(3,966)**

7 Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

2011/2012		2012/2013
£000		£000
	Pensions:	
28,575	Administering Authority	31,547
393	Admitted Bodies	498
168	Scheduled Bodies	283
29,136	**Total Pensions Payable**	**32,328**
	Lump Sums:	
12,328	Administering Authority	8,187
109	Admitted Bodies	425
489	Scheduled Bodies	472
12,926	**Total Lump Sums**	**9,084**
	Death Benefits:	
1,015	Administering Authority	574
89	Admitted Bodies	0
67	Scheduled Bodies	27
1,171	**Total Death Benefits**	**601**
43,233	**Total Benefits Payable**	**42,013**

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8 Payments to and on Account of Leavers

2011/2012		2012/2013
£000		£000
9	Refunds to Members leaving Service	14
(1)	Payments for Members joining State Scheme	(2)
561	Group Transfers	10,997
2,231	Individual Transfers	1,711
2,800	**Total Payments to and on Account of Leavers**	**12,720**

The 10.997m bulk group transfer in 2012/13 relates to the transfer of 110 employees engaged in the operation of the Woolwich Ferry from the Royal Borough of Greenwich Pension Fund to the London Pension Fund Authority. This was a result of the transfer of the staff in 2008 from the Royal Borough of Greenwich to Serco Limited.

9 Administration Expenses

2011/2012		2012/2013
£000		£000
684	Service Level Agreement with Royal Borough of Greenwich	870
13	Combined Benefit Recharge	11
6	Levies / Subscriptions	6
2	Bank Fees	1
32	Audit Fees	19
89	Document imaging	5
1	Other expenditure	51
827	**Total Administration Expenses**	**963**

10 Investment Income

2011/2012		2012/2013
£000		£000
(115)	Rental Income from Property	(115)
(7,480)	Dividends from Equities	(3,654)
	Income from Pooled Investment Vehicles:	
(2,796)	Property Unit Trusts	(2,318)
(37)	Withholding Tax Reclaimed	(89)
(44)	Interest	(6)
(2)	Commissions	1
(10,474)	**Total Investment Income**	**(6,181)**

11 Taxes on Income

UK Income Tax

The Fund is exempt and approved under the Finance Act 1970. It is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

Value Added Tax

By virtue of the Royal Borough of Greenwich being the Administrating Authority, VAT input tax is recoverable on Fund activities.

Overseas Tax

Taxation agreements exist between the UK and certain EC and other countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved varies from country to country.

2011/2012		2012/2013
£000		£000
166	Withholding Tax Non Reclaimable – Equities	108
28	Withholding Tax Non reclaimable – Property Unit Trusts	33
194	**Total Taxes on Income**	**141**

12 Investment Management Expenses

2011/2012 £000		2012/2013 £000
1,437	Management Fees	1,216
138	Other Professional Fees	127
1,575	**Total**	**1,343**

13 Investments

The investment managers and their mandates are as follows:

Manager	**Mandate**
Alliance Bernstein	Active Global Equity
Blackrock	Passive Global Equity
Fidelity	Bond
CBRE Global Investors	Property
LGT Capital Partners	Private Equity
Wilshire	Private Equity

The market value of the Fund is comprised as follows:

	2012/2013 Market Value £000	**2012/2013 Market Value %**	**2011/2012 Market Value £000**	**2011/2012Market Value %**
Alliance Bernstein	192,422	22	254,229	32
Blackrock	427,809	48	291,909	36
Fidelity	172,487	19	156,208	20
Royal Borough of Greenwich	8,648	1	10,511	1
CBRE Global Investors	55,342	6	55,668	7
LGT Capital Partners	13,756	2	13,822	2
Wilshire	14,548	2	13,539	2
Total	**885,012**	**100**	**795,886**	**100**

The change in market value of the Fund during the year is represented as follows:

Manager	Market Value 1 April 2012	Purchases	Sales	Change in Market Value of Investments	Change in Working Capital	Market Value 31 March 2013
	£000	£000	£000	£000	£000	£000
Alliance Bernstein	254,231	75,319	(147,886)	12,752	(1,994)	192,422
Blackrock	291,908	668,829	(602,732)	69,913	(109)	427,809
Fidelity	156,208	(158)[a]	(1)	16,438	0	172,487
CBRE Global Investors	55,668	2,000	(2,089)	(2,571)	2,334	55,342
Royal Borough of Greenwich	10,510	0	0	219	(2,081)	8,648
LGT	13,823	(2,316)[b]	0	2,249	0	13,756
Wilshire	13,538	(1,343)[b]	0	2,074	279	14,548
Total	**795,886**	**742,331**	**(752,708)**	**101,074**	**(1,571)**	**885,012**

The prior year comparator is as follows:

Manager	Market Value 1 April 2011	Purchases	Sales	Change in Market Value of Investments	Change in Working Capital	Market Value 31 March 2012
	£000	£000	£000	£000	£000	£000
Alliance Bernstein	258,584	103,306	(97,072)	(11,506)	919	254,231
Blackrock	290,505	0	(87)	1,476	14	291,908
Fidelity	138,314	(240)[a]	(1)	18,135	0	156,208
CBRE Global Investors	53,504	6,783	(3,334)	(603)	(682)	55,668
Royal Borough of Greenwich	18,337	0	0	77	(7,904)	10,510
LGT	13,575	(961)[b]	0	1,209	0	13,823
Wilshire	11,984	390	0	1,164	0	13,538
Total	**784,803**	**109,278**	**(100,494)**	**9,952**	**(7,653)**	**795,886**

a. The negative Fidelity purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.

b. Distributions of capital reducing the book cost

In April 2012 assets worth £82.1m were transferred from Alliance Bernstein to Blackrock. This transition resulted in a large amount of purchases and sales within Blackrock in 2012/13 as the portfolio was rebalanc

The change in market value of investments during the year is comprised of new money invested and the realised and unrealised profits or losses for the year:

2011/2012		2012/2013
£000		£000
784,803	Opening Market Value	795,886
1,131	Net Revenue Cash in / (out) flow	(11,952)
697	Realised profit / (loss)	75,632
9,255	Unrealised profit / (loss)	25,446
795,886	**Closing Market Value**	**885,012**

The value of quoted and unquoted securities is broken down as follows:

2011/2012		2012/2013
£000		£000
241,673	Quoted	166,866
	Unquoted:	
27,361	Private Equity	28,025
509,881	Other	674,720
16,971	Working Capital	15,401
795,886	**Total**	**885,012**

Of the total amount classified as "unquoted – other" £621.4m relates to investment vehicles where the underlying investments are themselves quoted (£453.9m in 2011/2012).

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The following table analyses the investment assets between UK and overseas:

2011/2012 £000		2012/2013 £000
542,796	UK	550,925
236,119	Non UK	318,686
16,971	Working capital	15,401
795,886	**Total**	**885,012**

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	**Manager**	**2012/2013 £000**	**2012/2013 %**
Blackrock Collective Investment UK Equity Tracker	Blackrock	176,259	20
UK Aggregate Bond Fund	Fidelity	172,487	19
Aquila Life UK Equity Index Fund	Blackrock	129,919	15

The prior year comparator is as follows:

Investment Assets	**Manager**	**2011/2012 £000**	**2011/2012 %**
Aquila Life UK Equity Index Fund	Blackrock	226,245	28
UK Aggregate Bond Fund	Fidelity	156,208	20

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Investments exceeding 5% within each class of security are as follows:

Class of Security Asset	Manager	2012/2013 £000	2012/2013 % within asset class
Fixed Interest OIEC			
Fidelity UK Aggregate Bond Fund	Fidelity	172,487	100
Property Unit Trusts			
Hercules Property Unit Trust	CBRE	5,481	11
UBS Global Asset Management Triton Property Unity Trust	CBRE	5,461	11
Schroders UK Property Fund	CBRE	4,208	8
Lend Lease retail Partnership	CBRE	4,002	8
M & G Secured Property Income Fund	CBRE	3,899	8
Henderson UK Shopping Centre Fund	CBRE	3,629	7
Blackrock UK Property Fund Blackrock UK	CBRE	3,607	7
Palmer Capital Development Fund	CBRE	3,383	7
Airport Industrial Property Unit Trust	CBRE	2,736	5
West End of London Property Unit Trust	CBRE	2,636	5
Unitised Insurance Policies			
Aquila Life UK Equity Index Fund	Blackrock	129,919	58
Aquila Life US Equity Index Fund	Blackrock	33,858	15
Aquila Life Pacific Rim	Blackrock	27,137	12
Aquila Life European Equity Index Fund	Blackrock	17,773	8
Aquila Life Japan Equity Index Fund	Blackrock	14,104	6
Other Unit Trusts			
Blackrock Collective Investment UK Equity Tracker	Blackrock	176,259	79
Blackrock Emerging Markets Fund	Blackrock	17,580	8
ACM Bernstein Emerging Markets Off Shore Fund	Alliance Bernstein	12,002	5
Property – Freehold			
New Lydenberg Industrial Estate	Internal	1,600	100
Private Equity			
LGT Crown European Private Equity	LGT	13,756	49
Wilshire US Private Markets Fund VII, L.P.	Wilshire	8,459	30
Wilshire European Private Markets Fund VII, L.P.	Wilshire	4,443	16
Wilshire Asia Private Markets Fund VII, L.P.	Wilshire	1,367	5

The prior year comparator is as follows:

Class of Security Asset	Manager	2011/2012 £000	2011/2012 % within asset class
Fixed Interest OIEC			
Fidelity UK Aggregate Bond Fund	Fidelity	156,208	100
Property Unit Trusts			
UBS Global Asset Management Triton Property Unity Trust	CBRE	6,488	12
Hercules Property Unit Trust	CBRE	6,096	11
Blackrock UK Property Fund	CBRE	4,660	9
Schroder Exempt Property Unit Trust	CBRE	4,927	9
M & G Secured Property Income Fund	CBRE	3,899	7
Lend Lease retail Partnership	CBRE	3,807	7
Palmer Capital Development Fund II Property Unit Trust	CBRE	3,121	6
Unitised Insurance Policies			
Aquila Life UK Equity Index Fund	Blackrock	226,245	80
Aquila Life US Equity Index Fund	Blackrock	19,061	7
Aquila Life European Equity Index Fund	Blackrock	14,527	5
Other Unit Trusts			
Aquila Emerging Markets Fund	Blackrock	8,071	58
ACM Bernstein Emerging Markets Off Shore Fund	Alliance Bernstein	5,777	42
Property – Freehold			
New Lydenberg Industrial Estate	Internal	1,600	100
Private Equity			
LGT Crown European Private Equity	LGT	13,822	51
Wilshire US Private Markets Fund VII, L.P.	Wilshire	8,295	30
Wilshire European Private Markets Fund VII, L.P.	Wilshire	4,004	15

The Fund has a policy of not entering into stock lending arrangements. Therefore, as in previous years, there were no stock lending arrangements in place during the financial year ending 31 March 2013.

Derivatives

The following investment products are classed as derivatives and may be used by the Fund managers:

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

On 31 March 2013 two “exchange traded” derivatives existed for the trade of futures to be settled in June 2013. The notional value of derivative trades was £1.0m (£0.5m as at 31 March 2012). Included within the Cash Deposits line in the Net Asset Statement there is £48,900 which was held as collateral in relation to these derivatives (£38,329 as at 31 March 2012).

14 Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2012				31 March 2013		
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised costs**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised costs**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
241,684			Equities	166,861		
			Pooled Investment Vehicles:			
156,208			Fixed Interest OEIC	172,487		
54,341			Property Unit Trusts	51,680		
283,893			Unitised Insurance Policies	225,462		
13,849			Other Unit Trusts	223,491		
0			Derivative Contracts	18		
27,361			Private Equity	28,025		
	14,711		Cash Deposits		7,895	
2,257	3		Other investment balances	7,651	5	
	226		Contributions Due		236	
	22		Other Current Assets		59	
	3,599		Cash Balances		6,747	
779,593	**18,561**	**0**	**Total Financial Assets**	**875,675**	**14,942**	**0**
			Financial Liabilities			
(11)			Derivative Contracts	(13)		
(3,193)		(141)	Other Investment Balances	(5,476)		(529)
		(504)	Unpaid Benefits			(306)
		(19)	Other Current Liabilities			(881)
(3,204)	**0**	**(664)**	**Total Financial Liabilities**	**(5,489)**	**0**	**(1,716)**
776,389	**18,561**	**(664)**	**Net Financial Assets**	**870,186**	**14,942**	**(1,716)**

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The net gains and losses on financial instruments are as follows:

31 March 2012		31 March 2013
£000		£000
	Financial Assets	
9,913	Fair Value Through Profit and Loss	101,060
(28)	Loans and Receivables	16
	Financial Liabilities	
(83)	Fair Value Through Profit and Loss	(2)
9,802	**Total**	**101,074**

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values:

Carrying Value	Fair Value		Carrying Value	Fair Value
31March 2012			31 March 2013	
£000	£000		£000	£000
		Financial Assets		
779,593	779,593	Fair Value Through Profit and Loss	875,675	875,675
18,561	18,561	Loans and Receivables	14,942	14,942
798,154	**798,154**	**Total Financial Assets**	**890,617**	**890,617**
		Financial Liabilities		
(3,204)	(3,204)	Fair Value Through Profit and Loss	(5,489)	(5,489)
(664)	(664)	Financial Liabilities at Amortised Cost	(1,716)	(1,716)
(3,868)	**(3,868)**	**Total Financial Liabilities**	**(7,205)**	**(7,205)**

Valuation of Financial Instruments carried at Fair Value

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

Level 1 – Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and unit trusts.

Level 2 – Where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Included in this level are the Fund's private equity investments, the valuations of which are provided by the private equity managers.

The following table provides an analysis of the Financial Assets and Liabilities of the Fund and are grouped, based upon the level at which the fair value is observable.

Values as at 31 March 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Financial Assets at Fair Value through profit and loss	847,650	0	28,025	875,675
Loans and Receivables	14.942	0	0	14,942
Total Financial Assets	**862,592**	**0**	**28,025**	**890,617**
Financial Liabilities				
Financial Liabilities at Fair Value through profit and loss	(5,489)	0	0	(5,489)
Financial Liabilities at amortised cost	(1,716)	0	0	(1,716)
Total Financial Liabilities	**(7,205)**	**0**	**0**	**(7,205)**
Net Financial Assets	**855,387**	**0**	**28,025**	**883,412**

Values as at 31 March 2012	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Financial Assets at Fair Value through profit and loss	752,232	0	27,361	779,593
Loans and Receivables	18,561	0	0	18,561
Total Financial Assets	**770,793**	**0**	**27,361**	**798,154**
Financial Liabilities				
Financial Liabilities at Fair Value through profit and loss	(3,204)	0	0	(3,204)
Financial Liabilities at amortised cost	(664)	0	0	(664)
Total Financial Liabilities	**(3,868)**	**0**	**0**	**(3,868)**
Net Financial Assets	**766,925**	**0**	**27,361**	**794,286**

15 Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Investment and Administration Panel. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and market conditions.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset risk.
The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- The exposure of the Fund to market risk is monitored through risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contacts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other Price Risk

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

The Fund is exposed to share 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.

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

<u>Other Price Risk – Sensitivity Analysis</u>

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance management advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the reporting period:

Asset	**Potential Market Movements (+/-)**
UK Equities	13.3%
Overseas Equities	13.5%
Bonds	4.5%
Property	2.0%
Cash	0.0%
Private Equity	5.2%

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments moved in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset	**Value as at 31 March 2013 £000**	**Percentage Change %**	**Value on Increase £000**	**Value on Decrease £000**
Cash and Cash Equivalents	14,642	0.0	14,642	14,642
UK Equities	325,548	13.3	368,846	282,250
Overseas Equities	290,270	13.5	329,457	251,084
Bonds	172,487	4.5	180,249	164,725
Property	53,280	2.0	54,346	52,214
Private Equity	28,025	5.2	29,483	26,568
Other Investment Balances	1,651	0.0	1,651	1,651
Total Assets available to Pay Benefits	**885,903**		**978,674**	**793,134**

The prior year comparator is as follows:

Asset	**Value as at 31 March 2012 £000**	**Percentage Change %**	**Value on Increase £000**	**Value on Decrease £000**
Cash and Cash Equivalents	14,711	0.0	14,711	14,711
UK Equities	331,587	15.5	382,983	280,191
Overseas Equities	207,828	15.9	240,873	174,783
Bonds	156,208	4.9	163,862	148,554
Property	54,341	7.9	58,634	50,048
Private Equity	27,361	6.2	29,057	25,665
Other Investment Balances	(1,074)	0.0	(1,074)	(1,074)
Total Assets available to Pay Benefits	**790,962**		**889,046**	**692,878**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements is through its cash and fixed interest security holdings.

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. It is currently felt that interest rates are unlikely to move up or down by more than 50 basis points (bps) over the course of the next year.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 50 bps change in interest rates:

Asset	**Carrying Amount as at 31 March 2013**	**Change in Year in the Net Assets available to Pay Benefits**	
		+ 50 bps	**-50 bps**
	£000	**£000**	**£000**
Cash Balances	6,747	34	(34)
Cash on Deposit	7,895	40	(40)
Fixed Interest OEIC	172,487	862	(862)
Total Interest Rate Risk Assets	**187,129**	**936**	**(936)**

The prior year comparator is as follows:

Asset	**Carrying Amount as at 31 March 2012**	**Change in Year in the Net Assets available to Pay Benefits**	
		+ 50 bps	**-50 bps**
	£000	**£000**	**£000**
Cash Balances	3,599	18	(18)
Cash on Deposit	14,711	74	(74)
Fixed Interest OEIC	156,208	781	(781)
Total Interest Rate Risk Assets	**174,518**	**873**	**(873)**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

Currency Risk – Sensitivity Analysis

Following consultation with the Fund's performance management advisors, the following table shows the potential impact of foreign exchange rate movements on the overseas holdings within the Fund (the analysis assumes that all other variables, in particular interest rates, remain constant):

Asset	**Asset Value as at 31 March 2013**	**Potential Change in Foreign Exchange Rate**	**Value on Increase**	**Value on Decrease**
	£000	%	**£000**	**£000**
Private Equity	28,025	5.6	29,594	26,457
Overseas Property Unit Trusts	390	7.8	420	359
Overseas Unitised Insurance Policies	95,543	5.7	100,989	90,097
Overseas Unit Trust Other	47,231	6.5	50,301	44,161
Overseas Equities	147,491	6.3	156,783	138,199
Cash held in Foreign Currencies	541	4.8	567	515
Total Currency Risk Assets	**319,221**		**338,654**	**299,788**

The prior year comparator is as follows:

Asset	**Asset Value as at 31 March 2012**	**Potential Change in Foreign Exchange Rate**	**Value on Increase**	**Value on Decrease**
	£000	%	**£000**	**£000**
Private Equity	27,361	8.8	29,769	24,953
Overseas Property Unit Trusts	941	8.4	1,020	862
Overseas Unitised Insurance Policies	57,649	8.6	62,607	52,691
Overseas Unit Trust Other	13,849	7.9	14,943	12,755
Overseas Equities	136,331	10.0	149,964	122,698
Cash held in Foreign Currencies	1,388	9.6	1,521	1,255
Total Currency Risk Assets	**237,519**		**259,824**	**215,214**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions where the risk equates to the net market value of a positive derivative position, However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The Fund has a private equity portfolio where there is a higher credit risk. The Fund has a target 5% allocation to this area thereby capping exposure to this asset class.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating.

The Fund's cash holding under its treasury management arrangements at 31 March 2013 was £6.7m (£8.6m at 31 March 2012). This was held as follows:

Counterparty Type	**Balance as at 31 March 2012 £000**	**Balance as at 31 March 2013 £000**
Deposit		
UK Government (Treasury Bills and Debt Management Office)	5,000	0
Current Account (Overnight Balance)		
UK Banks	3,599	6,747
Total	**8,599**	**6,747**

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The cash position of the Fund is monitored to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to monies held in its current account. Monies on deposit are also highly liquid and are available to the Fund if needed.

If the Fund found itself in a position where it did not have the monies to meet its immediate commitments, it is able to borrow for up to 90 days. If there was a longer term shortfall, then investments could be sold to provide additional cash.

Financial liabilities of £7.205m are all due to be settled within 12 months of the net asset statement date.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

16 Actuarial Position

The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Fund. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the Fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be revalued every three years, the actuarial valuation applicable for 2012/2013 was carried out as at 31 March 2010 (effective from 1 April 2011). The next valuation will take place as at 31 March 2013, effective from 1 April 2014.

The method of calculating the employer's contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the 'Projected Unit Method'. It is a method considered appropriate by the Actuary for a fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the intervaluation period are summarised as follows:

Financial Assumptions		**March 2010**	
		% p.a.	**Real % p.a.**
Investment Return			
	Equities	7.4	3.9
	Gilts	4.5	1.0
	Bonds & Property	5.6	2.1
	Discount Rate	6.7	3.2
Pay Increases		5.0	1.5
Price Inflation		3.5	0.0
Pension Increases		3.0	(0.5)

The difference between the assumptions applied and actual performance in the intervaluation (01/04/2007-31/03/2010) period are as follows:

Financial Experience	Actual %	Assumed %	Difference %
Price Inflation	2.9	3.4	(0.5)
Pay Increases	5.4	5.4	0.0
Pension Increases	2.9	3.4	(0.5)
Investment Returns	(2.0)	6.6	(8.6)

The market value of the Fund at the 2010 review date was £729m (£758m in 2007) and results showed that assets represented 85% of the liabilities (almost 100% in 2007). The Fund deficit arising from the valuation was £121m as at 31 March 2010 (£4m as at 31 March 2007), which is to be spread and recovered over a 23 year period. The reconciliation of the primary contribution rate is shown below:

Contribution Rate Analysis	March 2010
	%
Future Service Total	14.1
Deficit Contribution	4.4
Total Employer Contribution Rate	**18.5**

The agreed contribution rates in accordance with the results of the actuarial valuation is as follows:

Year	Royal Borough of Greenwich	Other Bodies
2011/12	18.5%	16.5% - 21.0%
2012/13	18.5%	16.5% - 21.0%
2013/14	18.5%	16.5% - 21.0%

17 Actuarial Present Value of Promised Retirement Benefits

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows (based upon IAS 19 information available as at 31 March 2013):

	31 March 2013 £000		31 March 2012 £000	
Present Value of Funded Obligation				
Vested Obligation	(1,093,783)		(1,022,985)	
Non-Vested Obligation	(283,787)		(245,438)	
Total Present Value of Funded Obligation		(1,377,570)		(1,268,423)
Fair Value of Scheme Assets		885,011		795,886
Net Liability		**(492,559)**		**(472,537)**

18 Debtors and Creditors

Transactions are accounted for on an accruals basis, except where stated. The following material amounts were due to, or payable from, the Fund as at 31 March 2013:

2011/2012 £000		2012/2013 £000
	Investment Debtors:	
981	Sale of Investments	6,884
363	Tax Refunds Due	428
914	Dividends Due	339
2	Other	5
2,260	**Total Investment Debtors**	**7,656**
	Investment Creditors:	
(129)	Management Fees	(516)
(3,193)	Purchase of Investments	(5,476)
(12)	Custody Fees	(13)
(3,334)	**Total Investment Creditors**	**(6,005)**
	Member Debtors:	
226	Contributions	236
22	Other	59
248	**Total Member Debtors**	**295**
	Member Creditors:	
(504)	Benefits Unpaid	(306)
(19)	Other	(881)
(523)	**Total Member Creditors**	**(1,187)**

Analysis of Debtors:

2011/2012 £000		2012/2013 £000
2,508	Other Entities and Individuals	7,951
2,508	**Total Debtors**	**7,951**

Analysis of Creditors:

2011/2012 £000		2012/2013 £000
0	Central Government Bodies	(611)
(8)	Public corporations and trading funds	0
(1)	Local Authorities	0
(3,848)	Other entities and individuals	(6,581)
(3,857)	**Total Creditors**	**(7,192)**

19 Cash

The cash balance can be further analysed as follows:

	2011/2012 £000	2012/2013 £000
Alliance Bernstein Cash at Hand	6,202	3,347
Royal Borough of Greenwich Pension Fund Cash at Hand	90	471
CBRE Cash at Hand	3,419	4,077
Other Cash on Deposit	5,000	0
Total Cash	**14,711**	**7,895**

The balance held in the Fund bank account as at 31 March 2013 was £6,747,015 (£3,598,938 as at 31 March 2012).

20 Additional Voluntary Contributions

Contributing members have the right to make Additional Voluntary Contributions (AVCs) to enhance their pension. The Authority made such a scheme available to staff through Equitable Life. During 2000/2001, Equitable Life announced itself closed to new business. On 23 December 2010 the Government passed an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Since 2000, employees have had the option to pay current contributions into a Clerical Medical Fund. In accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, AVCs are prohibited from being credited to the Local Government Pension Fund and are thus not consolidated within the Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, at 31 March 2013, are shown below:

2011/2012 £000		2012/2013 £000
101	AVC Contributions to Clerical Medical	81
6	AVC Contributions to Equitable Life	4
107	**Total Contributions**	**85**

31 March 2012 £000		31 March 2013 £000
806	Clerical Medical Market Value	880
523	Equitable Life Market Value	496
1,329	**Total Market Value**	**1,376**

21 Related Party Transactions

The UK Government exerts a significant influence over the Fund through enacting the various Regulations (mentioned herein). It is a major source of funding for the Royal Borough of Greenwich (the Administering Authority and largest employer within the fund).

During the year, no trustees or Key Management Personnel of the Authority with direct responsibility for pension fund issues, have undertaken any material transactions with the Pension Fund, other than the following:

1. Part of the Fund cash holdings were invested on the money markets via the treasury management operations of the Authority. A Service Level Agreement (SLA) is in place between the two entities. Over the year, up to £5m was placed on deposit for the benefit of the Fund.
2. The Fund borrowed £10m for one day from the Authority for cashflow purposes in respect of a bulk transfer out. The fund paid interest to the Authority in respect of this.
3. Administrative services were undertaken by the Authority on behalf of the Fund, under the SLA, valued at £870,559 (2011/2012: £683,618).
4. The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £22.0m to the fund in 2012/2013 (2011/2012: £23.3m).
5. With respect to other Scheduled Bodies, an amount of £43,504 was owed to the Fund by Academies at year-end for contributions due.
6. The following members of the Pension Fund Investment and Administration Panel are also members of the Pension Fund:
    - Councillor Austen
    - Councillor Cornforth
    - Councillor Kotz
    - Councillor MacCarthy
    - Councillor Dickinson.

    Each member of the Panel is required to declare their interests at meetings.
7. Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. The disclosures required by Regulation 7 (2) – (4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the Royal Borough of Greenwich. The Director of Finance is the key management personnel responsible for the Pension Fund.

22 Contingent Liabilities

There were no contingent liabilities as at 31 March 2013.

23 Commitments

The Fund has commitments in relation to its private equity holdings. These commitments are drawn down in tranches over time as and when the private equity managers request them. As of 31

March 2013 the Fund had £4,660,469 of private equity commitments outstanding (31 March 2012: £6,736,512). These are not required to be included in the Accounts.

24 Accounting Standards that have been Issued but have not yet been Adopted

There are no accounting standards issued but not yet adopted which affect the pension fund accounts.

25 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 7 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date gave rise to information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2013 as it provides information that is relevant to the understanding of the pension Fund's financial position but does not relate to conditions at that date.

As part of a drive to encourage people to save for retirement, all employers will be required to comply with new pension duties which are being introduced across all UK employers from October 2012. Under these duties employers are required to have a system of automatic enrolment into a qualifying pension scheme for all workers meeting certain criteria.
The Royal Borough of Greenwich was one of a large number of organisations issued with a staging date of 1st March 2013 for pensions auto enrolment. The regulations require that individual employees introduce auto-enrolment within a period of 3 months of the staging date. RBG will implement from 1st June 2013. The impact that auto enrolment will have on the fund is as yet unknown as those auto enrolled into the fund may choose to opt out.

ROYAL BOROUGH OF GREENWICH PENSION FUND
Appendix C - Governance Compliance Statement

Background

The Local Government Pension Scheme (Administration) Regulations 2008 paragraph 31 require all administering authorities to produce a Governance Compliance Statement. This statement must set out whether the administering authority delegates its function and if so what the terms, structure and operation of the delegation are. The administering authority must also state the extent to which a delegation complies with guidance given by the Secretary of State.

Any revisions to this statement will be approved and published by the Pension Fund Investment and Administration Panel.

Delegation Arrangements

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund. Therefore Elected Members are responsible for the stewardship of the Fund. This responsibility has been delegated to the Pension Fund Investment and Administration Panel, a sub-committee of Council.

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

The Pension Fund Investment and Administration Panel

The Pension Fund Investment and Administration Panel convenes a minimum of four times a year and contains six Greenwich Councillors with full voting rights. Representatives from admitted bodies and the trades unions are invited to participate as members of the Panel but do not have voting rights. The general terms of reference of the Pension Fund Investment and Administration Panel are:

- To exercise all relevant functions conferred by regulations made under the Superannuation Act 1972

- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.

- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund

- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.

- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.

- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.

- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.

Delegation of Functions in Detail

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

Delegation (Management Arrangements)

Investment and Administration Panel Decision Making	Investment and Administration Panel Monitoring and Control	Director of Finance	Fund Manager
The Panel will determine the allocation of new money to the managers. Similarly, in the event that assets need to be realised in order to meet the Fund's liabilities, the Panel will determine the source of this funding.	The Panel will formally review the Fund's ***asset allocation*** as circumstances dictate, taking account of any changes in the profile of Fund liabilities. The Panel will take guidance from the investment consultant regarding tolerance of risk.	Preparation of annual budgets and business plan for the Fund.	

Investment and Administration Panel Decision Making	Investment and Administration Panel Monitoring and Control	Director of Finance	Fund Manager
The Panel will be responsible for any changes to the terms of the mandates of existing ***fund managers***.	• The Panel will consider and monitor the quarterly reports produced in respect of the ***fund managers***. In addition to ***fund managers***' portfolio and performance reporting, the Panel will also periodically receive and review information relating to the managers ***risk*** analysis. • The Panel will continually review the ***fund managers***' mandates and their adherence to their expected investment process and style (e.g. ***active***, ***balanced***, ***passive*** etc). The Panel will ensure that the explicit written mandate of each of the ***fund managers*** is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, ***risk*** parameters and timescale. The Fund's ***percentile*** performance ranked against other ***LGPS*** funds will be assessed quarterly.		• Investment of the Fund's assets. • Tactical ***asset allocation*** around the Fund's strategic ***benchmark***. • Preparation of quarterly reporting including a review of investment performance. • Attending meetings of the Investment Panel. • Providing Fund accounting data concerning the investment portfolio and transactions.

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Delegation (Corporate Governance)

Investment and Administration Panel Decision Making	Investment and Administration Panel Monitoring and Control	Director of Finance	Fund Manager
The Panel is responsible for Socially Responsible Investment (***SRI***), ***corporate governance*** and shareholder activism.	The Panel will consider the Fund's approach to social, ethical and environmental issues of investment, ***corporate governance*** and shareholder activism.		Implementation of ***SRI*** in line with the Fund's policy.
The Panel is responsible for the maintenance of the ***SIP***, including ***Myners*** disclosures.			

Delegation (Other)

Investment and Administration Panel Decision Making	**Investment and Administration Panel** Monitoring and Control	Director of Finance	Fund Manager
The Panel will be responsible for the appointment and termination of ***AVC*** providers.	The Panel will review the Fund's ***AVC*** arrangements.		
	The Panel may also carry out any additional tasks delegated to it by the Council, including: • The Panel will monitor the investment advice from their investment consultant and investment services obtained from other providers (e.g. ***custodian***) - the Panel will be responsible for the appointment and termination of providers. • In order to fulfil their roles, the members of the Panel will be provided with appropriate training, initially and on an ongoing basis, where identified. • The Panel should take such professional advice it considers necessary. • The Panel will keep Minutes and other appropriate records of its proceedings.		

Governance Compliance Statement

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

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
Structure	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	✓	Pension Fund Investment and Administration Panel
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✓	All employers invited. Trade Union observers represent members
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**n/a**	
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**n/a**	
Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers such as admitted bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers iv) expert advisors (on an ad-hoc basis).	✓ ✓ ✓ ✓	The Panel has considered this issue and there has been no requirement given the nature of the other advice provided

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

PRINCIPLE	BEST PRACTICE	COMPLIANCE	COMMENT
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**n/a**	
	That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	✓	Representation by Trades Unions on Panel plus Trades Union Liaison meetings (as apt).
Access	That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓	
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	✓	The panel recommends employer policies on issues such as discretions. The panel also reviews the effects of decisions such as early retirement upon the fund.
Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	✓	Governance Statement is published on the authority's website and referred to within the newsletter with a mechanism for feedback

Appendix D - FUNDING STRATEGY STATEMENT

Regulatory Framework

Funding Strategy Statements (FSS) were introduced such that the first Statement was to be published by 31 March 2005 and it forms part of a framework which includes:

- the Local Government Pension Scheme (Benefits, Membership and Contributions) 2007 Regulations
- the Local Government Pension Scheme (Administration) Regulations
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

This is the framework within which the Fund's Actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

Purpose of the Funding Strategy Statement in Policy Terms

Upon the introduction of the requirement to maintain the FSS, the then Office of the Deputy Prime Minister (ODPM) stated that the purpose of the FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible
- to take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually, but may be mutually conflicting. This statement, therefore, sets out how the Fund has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

Aims and Purpose of the Pension Fund

The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution (known as "designated" with effect from 1 April 2008) and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses

as defined in the Local Government Pension Scheme Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Responsibilities of the Key Parties

The sound management of the Fund can only be achieved if all interested parties exercise their statutory duties and responsibilities conscientiously and diligently. Although a number of these parties, including investment fund managers and external auditors, have responsibilities to the Fund, the following may be considered to be of particular relevance for inclusion as a specific reference:

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the Fund's Actuary
- notify employers of the expected timing of key events and actions related to completion of the valuation process
- prepare and maintain an FSS and a Statement of Investment Principles (SIP), both after proper consultation with interested parties
- monitor all aspects of the Fund's performance and funding and amend the FSS/SIP.

The Individual Employer should:

- deduct contributions from employees' pay correctly
- pay all contributions, including their own as determined by the Actuary, promptly by the due date
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
- notify the Administering Authorities promptly of all changes to membership or, as may be proposed, which affect future funding
- comply with the valuation timetable where required and respond to communications as necessary to complete the process.

The Fund Actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS;
- agree a timetable for the valuation process with the Administering Authority to provide timely advice and results;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Solvency Issues and Target Funding Levels

The factors affecting the Fund's finances are constantly changing and so it is necessary for its financial position and the contributions payable to be reviewed, from time to time, by means of an actuarial valuation to check that the funding objectives are being met.

The actuarial valuation process is essentially a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

Funding Method

The actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; a funding level of less than 100% indicates a deficit.

- The future service funding rate i.e. the level of contributions required from the individual employers which together with employee contributions are expected to support the cost of benefits accruing in future.

The key feature of this method is that in assessing the future service cost the contribution rate represents the cost of one years worth of benefit accrual.

Valuation Assumptions and Funding Model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover.

The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which generally speaking are estimates of the likelihood of benefits and contributions being paid
- The financial assumptions which generally speaking will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future Price Inflation

The base assumption in any valuation is the future level of price inflation. This is derived by considering the average difference in yields from conventional and index linked gilts during the 6 months straddling the valuation date.

Future Pay Inflation

As benefits are linked to pay levels at retirement it is necessary to make an assumption as to future levels of pay inflation. Historically there has been a close link between price and pay inflation with pay increases in excess of price inflation averaging out at between 1% and 3% per annum depending on economic conditions. The assumption adopted in the valuation is that pay increases will on average over the longer term exceed price inflation by 1.5% per annum.

Future Investment Returns / Discount Rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The funding model that is adopted uses a discount rate which reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy.

Asset Valuation

The asset valuation is market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the 6 months straddling the valuation date.

Statistical Assumptions

The statistical assumptions incorporated into the valuation such as future rate of mortality are based on national statistics but then adjusted where deemed appropriate to reflect the individual circumstances of the Fund.

Deficit Recovery/Surplus Amortisation Periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

The period that is adopted for any particular employer will depend upon:

- The significance of the surplus or deficit relative to that employer's liabilities
- The covenant of the individual employer and any limited period of participation in the Fund
- The implications in terms of stability of future levels of employers' contribution.

Pooling of Individual Employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly contribution rates are set for individual employers to reflect their own particular circumstances.

However certain group of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross subsidy of pension cost amongst pooled employers.

Links to Investment Policy set out in the Statement of Investment Principles

Funding and investment strategy are inextricably linked. The Investment Strategy is set after taking investment advice, to reflect the liabilities of the Fund and these may be set to achieve the funding strategy agreed with employers.

The Identification of Risks and Counter Measures

Financial

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment fund managers fail to achieve performance targets over the longer term
- Asset reallocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- The effect of a possible increase in employers contribution rate on service delivery and admitted / scheduled bodies

Demographic

- The longevity horizon continues to expand
- Deteriorating pattern of early retirements

Regulatory

- Changes to regulations e.g. more favourable benefits package, potential new entrants to the scheme
- Changes to national pension requirements or HMRC rules

Governance

- Administering authority unaware of structural changes in an employers membership (e.g. large fall in employee members, large number of retirements)
- Administering authority not advised of an employer closing to new entrants
- An employer ceasing to exist with insufficient funding or adequacy of a bond.

The countermeasures to these risks are borne out through a strong monitoring, engagement and intervention role by the Administering Authority, along with reporting to the Pension Fund Investment and Administration Panel, where appropriate.

Consultation and Publication

The Fund has prepared and updated the FSS in collaboration with the Fund's Actuary and consulted the employers in the Fund, inviting comments. The FSS is published on the website once agreed. A copy is also sent to Communities and Local Government (CLG).

Monitoring and Review

The investment performance of the Fund is monitored quarterly and reported to the Panel. The asset allocation, designed to deliver performance against a liability profile was last reviewed in 2010.

The FSS is reviewed in detail at least every three years around the time of the triennial valuations being carried out. A revised statement will be issued in the event of any significant or material change arising.

Triennial Actuarial Valuation Summary (31 March 2010)

A summary of the assumptions adopted at the 2010 valuation together with the results for the Fund as a whole are set out in the following tables.

Financial Assumptions

Assumption	March 2010	
	% pa	% pa (real)
Investment Return		
Equities	7.4	3.9
Gilts	4.5	1.0
Bonds / Property	5.6	2.1
Discount Rate	6.7	3.2
Pay Increases	5.0	1.5
Price Inflation	3.5	-
Pension Increases	3.0	(0.5)

Valuation Results

Funding Level Calculation	**£m**
Liabilities	
Active Members	*(385)*
Deferred Members	*(102)*
Pensioners	*(336)*
Total	(823)
Assets	702*
Surplus / (Deficit)	(121)
Funding Level	**85%**

* smoothed asset value spanning the 6 months around the valuation date

Employer Contribution Rates	%
Future Service Funding Rate	*20.7*
Average Employee Contribution	*(6.6)*
Basic Employer Contribution Rate	14.1
Deficit Contribution Rate	4.4
Employer Contribution Rate	**18.5**

ROYAL BOROUGH OF GREENWICH PENSION FUND
Appendix E - Statement of Investment Principles

This is the Statement of Investment Principles (the "Statement") required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the "2009 Regulations").

The Statement has been adopted by the Pension Fund Investment and Administration Panel (the "Panel"), which acts on the delegated authority of the Royal Borough of Greenwich, the administering authority for the Royal Borough of Greenwich Pension Fund ("the Fund"). The Statement is subject to review from time to time and certainly within six months of any material change in investment policy or other matters as required by law. In preparing this Statement the Panel has consulted with the administrating authority and has taken and considered advice from the Fund's investment consultant.

In Annexe 1, the Panel has set out details of the extent to which the Fund complies with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication, 'Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012'.

Fund Objective

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and / or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

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

This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

Investment Strategy (Strategic Asset Allocation)

The Panel has translated its objectives into a suitable strategic asset allocation benchmark for the Fund (Annexe II). The strategic benchmark is reflected in the investment structure adopted by the Panel; this comprises a mix of segregated / pooled and active / passive manager mandates. The Fund benchmark is consistent with the Panel's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The Panel monitors investment strategy relative to the agreed asset allocation benchmark. An asset / liability study will be undertaken in 2013/14 and it is intended that investment strategy will be reviewed at least every three years.

"Schedule 1" Limits on Investments

The Panel previously agreed to an increase in the limit on investments in life policy contracts from 25% to 30% (the upper limit specified in Schedule 1 of the 2009 Regulations is 35%). Before taking this decision, the Panel took proper advice from its investment adviser, Hymans Robertson, in relation to the impact of the increase on overall risk within the Fund and how the Panel monitors and manages that risk. The decision was taken because making use of the funds concerned was effective both in terms of cost and also in terms of broader portfolio diversification within the funds concerned. The decision is reviewed annually and complies with the 2009 Regulations.

Types of investment to be held

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

The Fund may also make use of derivative type investments either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management or to hedge specific risks. The Panel considers all of these classes of investment to be suitable in the circumstances of the Fund.

The strategic asset allocation of the Fund includes a mix of asset types across a range of geographies and industry classifications in order to provide diversification of returns.

Balance between different kinds of investments

The Panel has appointed a number of investment managers, all of whom are authorised by the Financial Services Authority (pursuant to the Financial Services and Markets Act 2000) to undertake investment business.

The Panel, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. Annexe III details the individual benchmarks.

Risk

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risk types affecting the Fund are:

- Asset and Investment Risk
- Employer Risk
- Resource and Skill Risk
- Liability Risk
- Administrative Risk
- Regulatory and Compliance Risk
- Reputational Risk.

The Panel monitors and manages risks in these areas through use of a detailed Risk Register process.

Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the actuary in funding the Fund.

Realisation of investments

The majority of assets held within the Fund may be realised quickly if required.

Social, Environmental and Ethical Considerations

The Panel recognises that social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. The managers have produced statements setting out its policy in this regard. The managers have been delegated by the Panel to act accordingly.

Exercise of Voting Rights

The Panel has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by it with the objective of preserving and enhancing long term shareholder value. The managers are encouraged to vote in line with guidelines set by the Fund, in respect of all resolutions at annual and extraordinary general meetings of companies. Annexe IV outlines the Voting Intention Guidelines. Membership of the Local Authority Pension Fund Forum enables alerts to be sent to the Fund in respect of specific issues / companies. The Director of Finance has delegated authority to instruct fund managers to vote in a specific manner.

Stock Lending

The policy on stock lending reflects the nature of the mandates awarded to investment managers by the Panel, which include both pooled and segregated mandates.

Within segregated mandates, the Panel has absolute discretion over whether stock lending is permitted. The Panel has considered its approach to stock lending, taking advice from its investment adviser. After consideration of that advice, the Panel has decided not to permit stock lending within its segregated investment mandates.

The managers of pooled funds may undertake a certain amount of stock lending on behalf of unit holders in the fund. Where a pooled fund engages in this activity, the extent to which it does is disclosed by the manager. The Panel has no direct control over stock lending in pooled funds; nevertheless, it is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

Additional Voluntary Contributions (AVCs)

The Fund gives members the opportunity to invest in a range of vehicles at the members' discretion.

Principle	**Response on Adherence**
1 - Effective Decision Making	***The Royal Borough of Greenwich Pension Fund fully complies with this principle.***
Administering authorities should ensure that: • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	Council has delegated decision making in respect of the Pension Fund to the Pension Fund Investment and Administration Panel. This panel is a subcommittee of Council. It convenes a minimum of four times a year and contains six Greenwich Councillors with full voting rights. Representatives from admitted bodies and the trade unions are able to participate as members of the Panel. The Terms of Reference for the Panel are shown in Annexe V. Training is undertaken by Trustees at appropriate levels to meet the CIPFA Knowledge and Skills Code. Trustees are remunerated in line with their capacity as Council Members. The sub-committee is supported by an in-house team which monitors day-to-day activities on the fund. The Panel engages its fund managers each year. The Director of Finance is responsible for day-to-day monitoring of the fund and prepares the committee reports. A two year rolling business plan has been developed and approved by the panel.
2 - Clear objectives	***The Royal Borough of Greenwich Pension Fund fully complies with this principle.***

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administering authority and scheme employers. These should be clearly communicated to advisers and investment managers.	The investment objectives of the fund are stated in the SIP. These take into account the scheme's liabilities, the impact on employer contribution rates and the schemes attitude to risk. The asset allocation and benchmarks of the Fund are set with the aim of achieving these objectives and are communicated to investment managers. The Funding Strategy Statement evaluates the effect of the covenant upon employers and the Fund.
3 - Risk and liabilities • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	***The Royal Borough of Greenwich Pension Fund fully complies with this principle.*** The investment strategy aims to achieve the return required to meet current and future liabilities as set out in the actuarial valuation. The strategy also takes into account the requirement to keep employer contribution rates at a stable level. Consideration is given to the payment of a bond by prospective admitted bodies to the Fund, to mitigate against the risk that they may default on their contribution payments. The longevity risk is built into the triennial actuarial valuation and is therefore included when determining the investment strategy. The investment risks and how they are managed are detailed in the SIP.

4 - Performance Assessment • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.	***The Royal Borough of Greenwich Pension Fund complies with this principle.*** The performance of investments and investment managers is monitored on a quarterly basis. An independent performance measurement company provides quarterly reports detailing the performance of the asset allocation and investment managers relative to the benchmarks. The company also provides data detailing the performance of the Royal Borough of Greenwich Pension Fund in relation to its peer group. This data is used for information only and is not considered when developing the investment strategy. A report detailing the performance of the fund is presented quarterly to the Pension Fund Investment and Administration Panel. The Business Plan details how the fund expects to deliver its objectives for the year. The Business Plan also sets out administrative performance targets of when important documents need to be produced. The Annual Report outlines training undertaken, in order to ensure effective decision making.
5 - Responsible Ownership Administering authorities should:	***The Royal Borough of Greenwich Pension Fund complies with this principle.*** The Fund's policies on the exercise of rights (including voting rights) and social,

• Recognise and ensure that their partners in the investment chain adopt the FRC's UK Stewardship Code • Include a statement of their policy on responsible ownership in the Statement of Investment Principles • Report periodically to scheme members on the discharge of such responsibilities.	environmental and ethical considerations are included within the SIP. The Fund complies with the UK Stewardship Code, details of which are in the Fund's Statement of Compliance with the UK Stewardship Code for Institutional Investors. The Fund also expects its investment managers and investment advisor to comply with the Code. The Fund expects its investment managers to engage with companies within their portfolio on social, environmental and ethical issues.
6 - Transparency and Reporting Administering authorities should: • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • should provide regular communication to scheme members in the form they consider most appropriate.	***The Royal Borough of Greenwich Pension Fund fully complies with this principle.*** The Fund publishes annually a Communications Strategy detailing its policy for communicating information to members, representatives of members, prospective members and employing authorities. The Fund also makes available a range of documents including: • Annual Report, incorporating the Pension Fund Statement of Accounts • Statement of Investment Principles • Governance Statement • Stewardship Code • Knowledge and Skills Policy Statement • Triennial actuarial valuation • Funding Strategy Statement

	• Agenda and Minutes of the Pension Fund Investment and Administration Panel. These documents are published on the internet and hard copies are available on request.

The strategic asset allocation of the Fund is as follows:

Asset Class	**Target (%)**
UK Equities	32.5
Overseas Equities	32.5
US	*13.8*
Europe ex UK	*5.2*
Japan	*3.3*
Pacific	*4.6*
Emerging Markets	*5.6*
Bonds	20.0
Property	10.0
Private Equity	5.0
Cash	0.0
Total	**100.0**

Bernstein

Asset Class	**Benchmark**	%
UK Equities	MSCI	8.3
Overseas Equities		91.7
North America		*47.1*
Europe ex UK		*16.4*
Japan		*8.5*
Pacific		*7.8*
Emerging Markets		*11.9*
Total		**100.0**

Blackrock

Asset Class	**Benchmark**	%
UK Equities	FTSE	71.5
Overseas Equities		28.5
North America		*8.4*
Europe ex UK		*3.9*
Japan		*3.3*
Pacific		*6.2*
Emerging Markets		*6.7*
Total		**100.0**

Fidelity

Asset Class	**Benchmark**	% **Min**	% **Max**
Gilts	50% iBoxx Sterling Non-Gilts / 50% iBoxx Gilts index	0	100
Corporate Bonds		0	100
Total		**100**	

CBRE

Asset Class	**Benchmark**	%
Property	IPD UK Balanced Funds	100
Total		**100**

Annexe IV – Voting Intention Guidelines

Voting Governance Issues	**Action if Negative**
CHAIRMAN/CHIEF EXECUTIVE	
1. Role of Chairman and Chief Executive should be separate to avoid undue concentration of power.	Vote against Chairman/ CExec re-appointment as Director.
NON-EXECUTIVE DIRECTORS	
2. Board must have a minimum of 40% non-Executive Directors.	Vote against appointment of all Executive Directors.
3. Non-Executive Directors should not hold such a position in a competitor.	Vote against re-appointment when up for re-election.
DIRECTORS	
4. There should be formal appointments for all Directors	Vote against appointment of Directors.
REMUNERATION COMMITTEE	
5. The Committee must be composed entirely of independent Non-Executive Directors.	Vote against all Executive Directors.
6. The Committee should be answerable to the shareholders at the AGM	Vote against acceptance of the accounts. Vote against the reappointment of Chairman as a Director.
GENERAL	
7. All Directors need to seek re-election at least every three years (by rotation).	Vote against acceptance of accounts.
AUDIT COMMITTEE	
8. There shall be an Audit Committee.	Vote against acceptance of accounts.
9. The Audit Committee should have a majority of Non-Executive Directors.	Vote against acceptance of accounts.
10. The Audit Committee shall meet with the Auditors at least once in the year without Executives present.	Vote against acceptance of accounts.
REPORTING AND CONTROLS	
11. The Directors shall report on frauds uncovered that exceed £100,000 and action taken.	Vote against acceptance of accounts.

THE CADBURY CODE

12.	There shall be no rolling contracts of more than twelve months.	Vote against all relevant Directors' re-appointments.
13.	There shall be full disclosure of all emoluments received by Directors.	Vote against re-appointment of all Directors.
14.	There shall be transparent disclosure of the basis of performance related payments.	Vote against re-appointment of Chairman of Remuneration Committee as a Director.
15.	The basis of executive share options granted shall be the subject of shareholders resolution, be voted upon at least every five years and meet the guidelines of the Inland Revenue and the National Association of Pension Funds.	Vote against acceptance of accounts.
16.	There shall be full disclosure of share options granted to Directors and the Executive and those exercised in the preceding 12 months.	Vote against all Directors re-appointments.

AUDITORS

17.	The Auditors shall not be given or awarded additional work with the company that exceeds 50% in value of the Audit contract.	Vote against all Director Members of Audit Committee. Vote against the re-appointment of Auditors.
18.	The Board shall contain no former employee of the audit firm.	Vote against Directors re-appointment who come into this category.

OTHER MATTERS

19.	The Company shall not make any political or quasi political donations.	Vote against acceptance of accounts. Vote against Chair's re-appointment
20.	The Company shall indicate how it ensures equal opportunity is genuinely available.	Seek compliance through written Contract.

Annexe V

Pension Fund Investment and Administration Panel – Terms of Reference

The (Royal Borough of Greenwich) Pension Fund Investment and Administration Panel is a sub-committee of Council. It convenes a minimum of four times a year and contains six Greenwich Councillors with full voting rights. Representatives from admitted bodies and the trades unions are invited to participate as members of the Panel, but in order to avoid an overly bureaucratic structure, do not have voting rights. The (Royal Borough of Greenwich Council) Pension Fund Investment and Administration Panel has as its general terms of reference:

- To exercise all relevant functions conferred by regulations made under the Superannuation Act 1972

- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.

- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund

- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.

- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.

- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.

- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.

Royal Borough of Greenwich Pension Fund

Appendix F - Communications Policy

This is the communication policy statement of the Royal Borough of Greenwich Pension Fund, which is administered by the Royal Borough of Greenwich and prepared under Regulation 67 of the LGPS (Administration) Regulations 2008.

Purpose of a communications policy statement

The Regulations on scheme communications require an administering authority to prepare, maintain and publish a policy statement taking account of:-

- Relevant stakeholders
  - Active members
  - Deferred members
  - Pensioners / Dependants
- Prospective Members
- Employing Authorities
- Prospective Employers
- Trade Union and other scheme member representatives

But also having regard to:-

- The format of communication
- The frequency of communication
- The method of distribution

Communications with relevant stakeholders

Active members

What	Format	Frequency	Distribution
Changes to the Scheme Regulations	Letter	As required but within Regulatory guidelines	Direct to home address
Annual Benefit Statement	Formal statement	Annually	Direct to home address
AVC contribution statements	Formal statement	Annually	Direct to home address
Membership Certificates	Formal statement	On joining and where there is a change to hours / employer	Direct to home address
Scheme guide	Printed booklet	On joining and where the member opts out	Via employer with contract / direct to home address
Information, statements and guides on the pension scheme	Available on the pensions website	Updated as required	Via website available to all members
Presentations (such as pre retirement, prospective members)	Presentation / Powerpoint	As required by employers / managers / trade unions	N/A
Full administration service	Telephone, email, 121 or by appointment	Daily	N/A

Deferred Members

What	Format	Frequency	Distribution
Deferred Benefit Statement	Formal statement	Annually	Direct to home address
Retirement Option on reaching age 60	Formal letter	On reaching age 60 / NRD / 65	Direct to home address
Changes to Scheme Regulations that have affect	Formal letter	As required but within Regulatory guidelines	Direct to home address
Information, statements and guides on the pension scheme	Available on the pensions website	Updated as required	Via website available to all members
Full administration service	Telephone, email, 121 or by appointment	Daily	N/A

Pension / Dependant Members

What	Format	Frequency	Distribution
Payslip	Printed payslip	Twice a year and where there is a change of £5 or more	Direct to home address
P60	Formal statement	Annually	Direct to home address
Notification of Pensions Increase and payment dates	Letter included with the April payslip	Annually	Direct to home address
Changes to Scheme Regulations that have affect	Formal letter	As required but within Regulatory guidelines	Direct to home address
Information, statements and guides on the pension scheme	Available on the pensions website	Updated as required	Via website available to all members
Full administration service	Telephone, email, 121 or by appointment	Daily	N/A

Prospective Members

What	Format	Frequency	Distribution
Scheme guide	Printed booklet	On joining	Via employer with contract
Information, statements and guides on the pension scheme	Available on the pensions website	Updated as required	Via website available to all members
Presentations	Presentation / Powerpoint	As required	N/A
Full administration service	Telephone, email, 121 or by appointment	Daily	N/A

Employing Authorities

What	Format	Frequency	Distribution
Dedicated liaison officer	Email / Letter / In person	Visits, training and contact point for all employers	Deputy Pension Operations Manager
Changes to the Scheme Regulations	Letter / presentation	As required but within Regulatory guidelines	Direct to employer / in person
Actuarial information (IAS19 / new employer rates)	Email / Letter / In person	Annually / Triennially	Direct to employer
Training	At employers place of work	As required	In person
Presentations	Presentation / Powerpoint	As required	N/A
Information, forms, statements and guides on the pension scheme	Available on the pensions website	Updated as required	Via website available to all employers
Full administration service	Telephone, email, 121 or by appointment	Daily	N/A
RBG Pension Fund Investment and Administration Panel	Quarterly meeting	Quarterly	Via website available to all employers

Prospective Employers

What	Format	Frequency	Distribution
Dedicated liaison officer	Email / Letter / In person	Visits, training and contact point for all employers	Deputy Pension Operations Manager
Actuarial information (setting employers rate)	Email / Letter / In person	Before becoming a new employing authority	Direct to employer
Training	At employers place of work	As required	In person
Information, forms, statements and guides on the pension scheme	Available on the pensions website	Updated as required	Via website available to all members
Presentations	Presentation / Powerpoint	As required	N/A
Full administration service	Telephone, email, 121 or by appointment	Daily	N/A

Trade Unions / Other Scheme member representatives

What	Format	Frequency	Distribution
Training	At employers place of work	As required	In person
Presentations	Presentation / Powerpoint	As required	N/A
Information, statements and guides on the pension scheme	Available on the pensions website	Updated as required	Via website available to all members
Full administration service	Telephone, email, 121 or by appointment	Daily	N/A
RBG Pension Fund Investment and Administration Panel	Quarterly meeting	Quarterly	Employee representative

Royal Borough of Greenwich Pension Fund

Appendix G - Knowledge and Skills Policy Statement – 2013

The Royal Borough of Greenwich, as the administering authority of the Royal Borough of Greenwich Pension Fund, adopted the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills issued by the Chartered Institute on Public Finance and Accountancy in 2011.

The Royal Borough of Greenwich recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills. Accordingly the Royal Borough of Greenwich will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.

These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Royal Borough of Greenwich will report on an annual basis how these policies have been put into practice throughout the financial year.

The Royal Borough of Greenwich has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Director of Finance, who will act in accordance with the organisation's policy statement and with CIPFA Standards of Professional Practice.

The Royal Borough of Greenwich has adopted the following Knowledge and Skills Policy Statement:

- The Royal Borough of Greenwich recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- The Royal Borough of Greenwich therefore seeks to utilise individuals who are both capable and experienced and it will provide / arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Royal Borough of Greenwich Pension Fund

Appendix H - UK Stewardship Code Statement of Compliance

UK Stewardship Code for Institutional Investors

Introduction

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

Statement of Compliance

So as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should…

<u>Principal 1</u>

"***…publicly disclose their policy on how they will discharge their stewardship responsibilities.***"

The Royal Borough of Greenwich Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and encourages its appointed fund managers to do so too. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy.

The Fund's Statement of Investment Principles sets out the funds compliance with Principle 5 of the Myners principles (Responsible Ownership) along with the funds voting guidelines. The Fund's equity managers vote on the Fund's behalf at the Annual General Meetings of companies, in which the Fund holds shares, paying heed to these voting guidelines.

<u>Principal 2</u>

"***…have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.***"

The Fund encourages its fund managers it employs to have effective policies addressing potential conflicts of interest. In respect of conflicts of interest within the fund, pension panel members are required to make declarations of interest prior to panel meetings.

Principal 3

"…***should monitor their investee companies.***"

Day-to-day responsibility for managing the Fund's equity holdings is delegated to the appointed fund managers and the Fund expects them to monitor companies, intervene where necessary and report back regularly on activity undertaken.

Membership of the Local Authority Pension Fund Forum (LAPFF) enables alerts surrounding specific companies to be communicated in a timely manner.

Principal 4

"…***establish clear guidelines on when and how they will escalate their stewardship activities as a method of protecting and enhancing shareholder value.***"

Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship code.

Principal 5

"***…be willing to act collectively with other investors where appropriate.***"

The Fund has joined other shareholders in maximising shareholder value through class actions.

The Fund is a member of the LAPFF through which it collectively exercises a voice in respect of corporate governance issues.

Principal 6

"…***have a clear policy on voting and disclosure of voting activity.***"

In respect of shareholder voting, the fund exercises all votes attaching to its UK equity holdings, and seeks to vote where practical in overseas markets. Responsibility for the exercise of voting rights has been delegated to the Fund's appointed investment managers. Voting Intention Guidelines are included within the Fund's Statement of Investment Principles.

Principal 7

"…***report periodically on their stewardship and voting activities.***"

Voting activity is received by the Fund and from 2013/14 will be reported to the Panel on an exception basis.

The work of the LAPFF is to be reported on an annual basis to the Panel.