LONDON BOROUGH OF WALTHAM FOREST PENSION FUND

PENSION FUND ANNUAL REPORT 2014/15

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INTRODUCTION

This Annual Report covers the management and performance of the London Borough of Waltham Forest Pension Fund (the Fund) for the financial year 2014/15

The first part of this Annual Report deals with the investment management structure of the Pension Fund and the fund managers appointed by the Pension Fund to manage the various portfolios. Investment performance for the year is analysed in context of economic conditions prevailing at the time. A report is also provided on the administration performance on the benefits administration service provided over the year.

The second part of the report is concerned with the governance arrangements put in place for the oversight of the Pension Fund and its management, including the approach taken to ethical investment issues.

Investment Review

Market Background

The financial year 1 April 2014 to 31 March 2015 finally saw, in October 2014, the end of the US Federal Reserve policy of Quantitative Easing. However this did not represent a large scaling back of the interventionist role of the major Central Banks. March 2015 saw the launch of the long anticipated Quantitative Easing programme of the European Central Bank while the Bank of Japan continued and indeed increased its policy of radical monetary easing. In the Eurozone three years of progress in reforming the Greek economy and finances was suddenly thrown into serious doubt from January 2015 with the election victory of the anti-austerity Syriza party. However unlike in 2012 the new “Greek crisis” did not seriously undermine other Eurozone equity or bond markets. Falling inflation and indeed concerns about deflation exemplified by significant falls in the oil price were a clear theme of 2014-15.

The ongoing reduction in Quantitative Easing by the Federal Reserve during the period April to October 2014 when the programme finally ended and the consequent strengthening US $, which reduced the overseas earnings of US large cap equities, failed to halt the continuing overall upward movement of US Equities. The S&P 500 closed, for the first time at over 2,000 in August 2014 and overall the S&P 500 was up 10% by the end of the financial year at 2068 on 31 March 2015 compared to 1872 a year earlier. While Quantitative Easing may have ended the highly stimulative monetary policy of the Federal Reserve continued with the main interest rate (the Federal Funds Rate) remaining at 0% to 0.25% the level it has been held at since December 2008. The attractiveness of equities will also have been enhanced by the fact that during 2014-15 nearly a third of companies in the S&P 500 were paying dividends above the 10 year Treasury yield compared to a historic average around a tenth. Positive overall sentiment was undoubtedly also supported not only by generally positive business (particularly in respect of small cap companies) and consumer confidence but also by a further fall of over 1% in unemployment during the year to stand at 5.5% in March 2015, the lowest level since May 2008.

In the Eurozone 2014-15 was a period of clear and continuing gradual recovery with for example a slight reduction in unemployment together with some increasing demand for bank credit. However there were continuing concerns about the progress of economic recovery with generally weak growth and in particular the potential for deflation with the European Central Bank (ECB) progressively further loosening monetary policy with for example the introduction of a negative interest rate on bank deposits held with the ECB from June 2014. In August Mario Draghi the President of the ECB stated the ECB would use “all the available instruments needed to ensure price stability.” September 2014 saw further interest rate cuts by the ECB and the announcement of a programme to purchase asset backed securities and covered loans which began in November. Continuing concerns about very low inflation/deflation finally led to the ECB announcing a huge Quantitative Easing programme in January 2015 which commenced in March 2015. The QE programme will result in 60 billion Euro a month asset purchases during the period from March 2015 till at least September 2016. This exceeded market expectations and the FTSE Eurofirst 300 increased by 7.1% for the month of January.

In particular progressive monetary easing together with a related significant weakening of the Euro against the US $, slow but positive trends in confidence and employment combined did much to boost European Equity markets. Overall during the financial year the FTSE Eurofirst increased by approximately 19%. By March 2015 the Eurofirst 300 was trading higher than for seven years.

The near failure of the major Portuguese Bank Banco Espirito Santo in July 2014 was untypical of the continued progress made by Eurozone banks during 2014-15. The results of tests by the European Banking Agency and ECB announced in October 2014 indicated that overall European (including Eurozone) banks were clearly more financially robust than in 2011.

In January 2015 three years of co-operation by the Greek government with the “troika” consisting of the European Central Bank, European Union and International Monetary Fund ended with the election of the anti-austerity Syriza party and the appointment of Alexis Tsipras as Prime Minister. The new Finance Minister Yanis Varoufakis stated that Greece would no longer co-operate with the “troika.” The new government alarmed creditors and investors promising to freeze privatisations, re-employ state workers and abandon other reforms of the previous government. A temporary respite was however achieved when on 20 February 2015 Greece and its Eurozone bailout lenders agreed a deal including an extension to the Greek rescue programme by four months. The long term future of Greece in the Eurozone was, however, far from resolved by 31 March 2015. There was a sharp sell off in Greek shares. While Greek 10 Year bonds were yielding less than 7% on 31 March 2014 their price fell significantly after the Syriza victory and stood at over 11% at the financial year end.

2014-15 like 2013-14 was positive for the UK economy. In March 2015 the Office for National Statistics reported unemployment was 5.5% compared to 6.8% a year earlier. However, earnings increases and particularly inflation remained low (even though wage growth outpaced inflation in the latter part of the financial year) suggesting continued slack in the economy and the Bank of England maintained the Base Rate at 0.5% throughout the 2014-15 financial year. There was, overall, a lack of volatility in UK equity prices and the FTSE All Share advanced by only 3% over the financial year. For the second year in a row the UK equity market clearly lagged other major developed equity markets.

The huge Quantitative Easing programme of the Bank of Japan continued and was significantly expanded during 2014-15 and together with a consequential competitive yen, lower world commodity prices and improved real pay levels resulted in an overall positive year for both the Japanese economy and equity prices. Corporate earnings were clearly positive. However continuing concerns about low inflation/possible deflation resulted in the Bank of Japan announcing, in October 2014, an increase in the scale of its monthly purchases of Japanese Government bonds. In the same month the Government Pension Investment Fund announced that it would reduce its holdings of bonds and increase its holdings of domestic (and foreign) shares giving yet more impetus to Japanese equities. There were also clear signs of structural reform as indicated by government plans to increase female employment and the publication by Japan's Financial Services Agency, in December 2014, of a draft Corporate Governance Code seeking to address issues such as shareholders rights, cross-shareholding (where companies hold each others shares), whistleblowing and board composition. The General Election of December 2014 saw the re-election of Prime Minister Shinzo Abe and in effect endorsed the fiscal and structural reforms of the previous two years. The Nikkei 225 Index increased by approximately 30% during the financial year.

May 2014 saw a seismic shift in the politics of India and the expectations of markets. The Bharatiya Janata Party (BJP) led by Narendra Modi obtained an overall majority on a platform of major economic reform. During May 2014 the Sensex index gained over 8% and increased by 24% over the period 1 April 2014 to 31 March 2015 fuelled by optimism following Mr Modi's election victory and aided by falling commodity prices.

Although the Chinese equity market was positive the Chinese economy was subdued with weaknesses in industrial production, retail sales and the housing market. In November 2014 the People's Bank of China reduced benchmark interest rates for the first time since July 2012 and another rate reduction followed in February 2015 to provide further stimulus to the economy.

Though the US Federal Reserve ended it Quantitative Easing programme in October 2015 it did not increase its main interest rate and the 10 Year benchmark yield was 1.94 on 31 March 2015 0.8% lower than a year before. Low inflation, weaker than anticipated growth, and policy statements from the Federal Reserve resulted in market expectations regarding interest rate rises receding during the year. The UK 10 year benchmark reduced from 2.76% to 1.70%.

During 2014-15 weak inflationary pressure together with the further and progressive loosening of ECB monetary policy, resulting in the announcement of a large Quantitative Easing programme in January 2015 and its implementation from March 2015 clearly supported German government bonds and government bonds of other Eurozone countries such as those of Spain and Italy which saw their yields very significantly compress (and therefore their value increase). The German 10 year benchmark yield reduced from 1.58% at the start of the financial year to only 0.18% on 31 March 2015. The Italian 10

Year bond closed the year at 1.29% (compared to 3.31% a year earlier) and the Spanish at 1.21% testimony not only to the influence of ECB monetary policy but also the failure of the ongoing Greek crisis which re-erupted after the Syriza election victory to significantly affect other Eurozone countries.

John Raisin Financial Services Limited
Independent Advisor
7 August 2015

Fund Investment Strategy

As the fund has moved to a more diverse approach over the last three years this has had an impact on the fee structure of the fund – in particular the use of alternatives but also the use of performance fees for an active global equity manager. This structure is being used in order to manage risk (particularly volatility) and specifically the use of alternatives. Therefore our fees will be higher but the fund should be more than compensated for this as the performance should more than justified these fees over the long term.

The only amendments to the investment strategy was agreed in October 2014 and January 2015. Consequently a Risk Overlay Strategy which seeks to provide downside protection in respect of the Fund's UK Equity exposure is expected to be implemented in September 2015. This is part of the funds risk portfolio and is not an investment, but a hedge to limit equity downside at times of extreme volatility and therefore mitigate any large negative impacts of UK equity markets in these times to the fund.

Please see Table 1 below which shows the risk return impact this strategy has already had on the fund:-

Three year Annualised figures as at end					
	March 11	**March 12**	**March 13**	**March 14**	**March 15**
Absolute Risk & Return					
Fund Absolute Return	6.3	18.2	8.8	9.1	11.9
Rund Absolute Risk	17.0	12.0	10.9	9.7	7.0
Benchmark Relative					
Risk	0.3	1.8	0.8	1.3	2.0
Return	4.0	3.1	2.8	2.7	2.5
Information Ratio	0.1	0.6	0.3	0.5	0.8

Figures provided by the WM Performance Services

Table 2 below shows the current and target strategic benchmarks.

Further detail of the benchmark composition, benchmark indices and performance targets for the managers are contained in the Statement of Investment Principles, (Appendix 2), which was updated in September 2015.

Table 1 –Current and Proposed Strategic Benchmark

Manager	Benchmark Weightings Current (%)	Target Benchmark Weightings (%)
UK Equities	40.9	35.4
Global Equities	28.5	23.6
Fixed Income	14.8	15.0
Property	5.5	8.0
Hedge Funds	4.0	5.0
Infrastructure	4.9	10.0
Other Alternative	1.2	3.0
Cash	0.2	0.0
	100	100

A summary of the resulting distribution of fund assets as at 31 March 2015 is shown in Table 2 below. It should be noted that one UK property investment is shown in the Accounts ("RREEF Limited"). These investments remain from the former Aberdeen portfolio and are in process of being liquidated, but being a property portfolio this is a long process that is still unwinding.

Table 2 - Summary of Fund Investment Assets as at 31 March 2015 and 2014

Manager	Asset Class	Market Value 31 March 2015 £M	Total Fund 31 March 2015 (%)	Market Value 31 March 2014 £M	Total Fund 31 March 2014 (%)
AXA Framlington	UK Equities	300.8	40.9	284.3	43.1
JO Hambro	Global Equities	209.2	28.5	156.7	23.8
Wellington Management	Global Fixed Income	108.5	14.8	105.5	16
BlueCrest	Hedge Fund	29.7	4.0	27.6	4.2
Global Infrastructure Partners	Infrastructure	8.8	1.2	9.6	1.4
Capital Dynamics	Infrastructure	27.2	3.7	22.5	3.4
DTZ	European Property	5.0	0.7	10.2	1.5
UBS	UK Property	11.1	1.5	9.6	1.5
RREEF	UK Property	0.6	0.1	0.6	0.1
Darwin	UK Property	23.6	3.2	21.4	3.2
Markham Rae	Hedge Fund	7.7	1.0	5.9	0.9
Impact Ventures Uk	Social Impact	1.3	0.2	0.6	0.1
Cash		1.8	0.2	5.2	0.8
TOTAL		**735.3**	**100**	**659.7**	**100**

Table 2 reflects the movement between asset classes throughout 2014/15. The change in asset allocation over the year reflects the relative performance between the different asset classes and the managers' own relative performance against their own specific benchmarks. £3.7m was returned to the fund from DTZ Aurora property Fund. This investment is still in wind down with the fund due to close in 2017. Between the two infrastructure funds £7.8m was drawn down and £7.6m returned to the fund, £5.5m was in relation to the sale of one of GIPII assets and the remainder due to equalisation as other investor made commitments to the funds. This left an undrawn commitment of £18.5m mainly due to GIPII fund. £775K was drawn down into the Impact Venture UK fund leaving and undrawn commitment of £4.8M.

No re-balancing between the investments took part during the year.

Pension Fund Accounts 2014/15

The 2014/15 Accounts are attached as Appendix 1. The Accounts show that overall there was a net increase in the assets of fund of £81.2m from £661m at 31 March 2014, to £742.2m at 31 March 2015.

From dealings with members, employers and others directly involved in the scheme, there was a net increase of £0.9m this was mostly the effect of a 6.3% increase in contributions into the fund, and an increase of 0.6% in pension payments out of the scheme.

Taking investment income net of management expenses, plus this addition to the Fund from dealings with members provided £3.9m more funds for investment. The net increase in the value of the fund investments, (realised and unrealised), was £77.3. The investment performance for the year is set out in the next section.

Pension Fund Performance 2014/15

Fund Returns 2014/15

Table 3 below sets out the quarter by quarter results for the Fund in 2014/15. Over the year as a whole the Fund return was 12.5%, against the benchmark return of 9.8%, the Fund showed relative out performance of 2.5%.

Table 3 – Quarterly Fund Returns 2014/15

LBWF 2011/12	First Quarter April to June 2014	Second Quarter July to September 2014	Third Quarter October to December 2014	Fourth Quarter January to March 2015	Total Annual Performance 2014/15
	%	%	%	%	%
Fund Return	+0.5	+2.5	+2.1	+7.1	+12.5
Benchmark Return	2.2	+1.1	+2.0	+4.1	+9.8
Relative Return	-1.7	+1.3	+0.1	+2.8	+2.5

All figures WM Performance Services

Table 4 provides a breakdown of the results for the fund managers for the last two years.

Table 4 – Fund Manager Returns vs Benchmark 2013/14 and 2014/15

Manager	Asset Class	Portfolio Return 2013/14 %	Benchmark Return 2013/14 %	Relative Return 2013/14 %	Portfolio Return 2014/15 %	Benchmark return 2014/15 %	Relative Return 2014/15 %
AXA Framlington	UK Equities	+18.9	+8.8	+9.2	+5.8	+6.6	-0.7
JO Hambro CM	Global Equities	+16.6	+6.7	+9.2	+32.4	+129.0	+11.2
Wellington	Global Fixed Income	+0.8	+4.4	-3.5	+2.3	+4.4	-2.0
DTZ	European Property (Aurora Fund)	-11.8	+14.0	-22.6	-18.2	+18.3	-31.3
UBS	UK Property (Triton Fund)	+11.6	+14.0	-2.1	+18.5	+19.2	-0.6
Darwin	UK Property (DLPF)	+6.9	+2.6	+4.2	+10.3	+8.0	+2.2
Markham Rae	Hedge Fund	-6.2	+3.2	-6.2	+32.3	+10.0	+20.2
BlueCrest	Hedge Fund (AllBlue)	+2.4	+10.0	-6.9	+7.4	+10.0	-2.3
Capital Dynamics *	Infrastructure (CEI)	-1.4	+15.0	-14.3	+12.9	+15.0	-1.8
GIP II *	Infrastructure	+10.8	+15.0	-3.7	+43.0	+15.0	+24.3
IVUK *	Social Impact	0	+1.7	-1.7	-12.7	+7.0	-18.4

All figures WM Performance Services
* Due to the nature of these asset longer draw down and investment period. The true returns will only be reflected later on in the investment life.

Investment Performance

April 2014 to March 2015

The Fund returned 12.5% over the year against a benchmark return of 9.8% with relative return of 2.5%. The overall positive return for the year was principally due to outperformance of the global Equities, Markham Rae and GIPII portfolio’s.

Results from the WM Local Authority Universe showed that the average local authority returned 13.2% in 2014/15. Against the universe the LBWF fund (12.5%) was ranked 63rd out of 85. Our UK equity portfolio manager Axa Framlington ranked 76th and our global equity manager JO Hambro ranked

4th, property portfolio's (ranked 100th), bonds ranked 97th, hedge funds ranked 54 and infrastructure ranked 30.
(Figures from WM Performance Services).

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Fund Return %	**-1.1**	**-20.1**	**23.4**	**11.7**	**24.4**	**7.0**	**-5.7**	**-24.1**	**43.1**	**10.4**	**4.3**	11.8	11.4	12.5
Ranking in Local Authority Universe	**53**	**47**	**60**	**36**	**60**	**50**	**85**	**85**	**6**	**3**	24	86	3	63

LB Waltham Forest Pension Fund returns vs Local Authority Universe **figures: WM Performance Services**

Longer Term Performance
(fund returns against the fund benchmark and local authority universe)

Over 3, 5 and 10 years

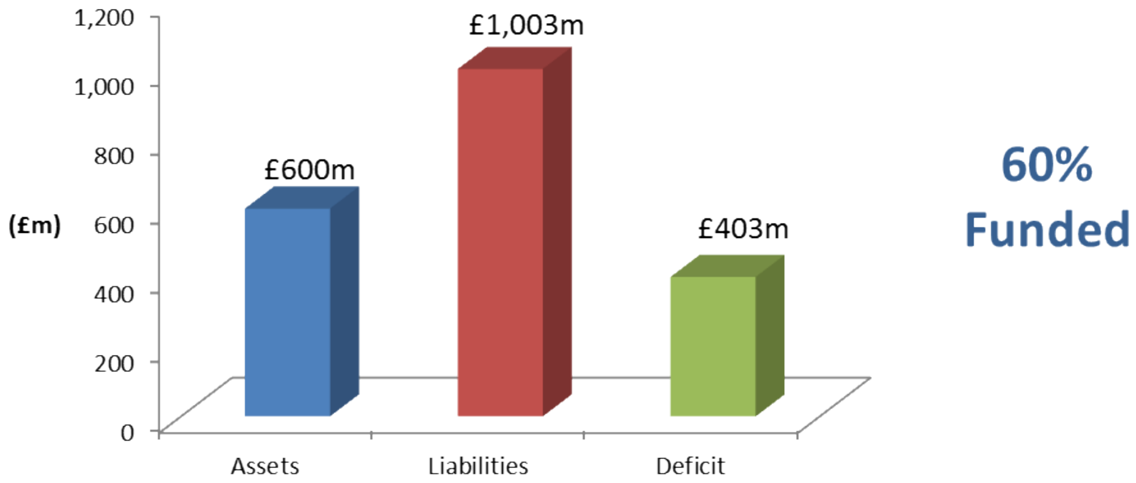
	3 years %	**5 years %**	**10 years %**
Fund	11.9	10.1	8.2
Fund Benchmark	9.7	8.2	7.7
Relative return	2.0	1.7	0.5
LA Universe	11.0	8.7	7.9
Relative return	0.8	1.3	0.3
WM ranking	16	6	31

Accounts for the year ended 31 March 2015 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Waltham Forest Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £600 million represented 60% of the Fund's past service liabilities of £1,003 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £403 million.



The valuation also showed that a common rate of contribution of 12.5% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 63% with a resulting deficit of £348 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £16.1m per annum increasing at 4.1% per annum (equivalent to approximately 13.5% of projected Pensionable Pay at the valuation date) for 25 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (including ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases (long term)	4.1% per annum*	4.1% per annum

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 6 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus
4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £1,054 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by *c*£162 million. Adding interest over the year increases the liabilities by a further *c*£47 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by *c*£10 million (allowing for any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £1,253 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2015

Administration and Benefits

All employees of the London Borough of Waltham Forest are eligible for membership of the LGPS. Full and part-time employees, whether permanent or temporary (Contract must be for 3 months or longer), become members automatically with the right to opt out (back-dated to the start of membership if made within two years).

From April 2014 a new LGPS scheme was introduced please see below summary of the main changes to the scheme:-

- A change from a pension based on final pay to one based on average pay throughout your career.
- A higher accrual rate of 1/49th per year of service rather than the current 1/60th per year of service.
- Benefits are calculated on pensionable earnings each year rather than final salary.
- Benefits are held in a pension account and revalued each year in line with inflation.

Other important changes that have happened to the LGPS

The Scheme's normal pension age

This is equal to the State Pension Age (SPA) for both active and deferred members and will be determined at the date benefits are paid. Legislation is in place to increase the SPA to 66 by 2020 with an announcement in the Queen's Speech to raise it again to 67 by 2028 with reviews every 5 years to ensure it keeps in line with life expectancy. Members do not have to wait until SPA to receive there LGPS pension but there may be penalties for drawing it earlier. Find out about SPA at www.gov.uk/calculate-state-pension.

From age 55

Members will be able to take retirement benefits on leaving from age 55 without needing employer's consent, although an early retirement reduction will apply.

Employees Contribution Bandings

New contribution bands with an average contribution of 6.5% mean that members will pay increased contributions if they earn above £43,000. If a member earns £43,000 or less they will pay the same or lower contributions.

Please see below the bandings that were applied for 2014-15 period.

Pay Bands	Contribution Rates
Up to £13,500	**5.5%**
£13,501 - £21,000	**5.8%**
£21,001 - £34,000	**6.5%**
£34,001 - £43,000	**6.8%**
£43,001 - £60,000	**8.5%**
£60,001 - £85,000	**9.9%**
£85,001 - £100,000	**10.5%**
£100,001 - £150,000	**11.4%**
Over £150,000	**12.5%**

Low Cost Option

A low cost option allows members to pay 50% contributions to build up 50% of benefits.

The 50/50 option is intended to allow members to continue to save for their retirement during periods of financial hardship. If a member choses to pay the lower contributions they would build up pension based on a 1/98th accrual rate but death and ill health benefits would not be affected should you need them.

Death Benefits

Death benefits are unchanged in the new scheme with spouse and partners' pensions based on an accrual rate of 1/160 and three times death in service benefit.

Additional Contributions

There are options to pay additional regular contributions (ARCs) to purchase additional pension or contribute to an in-house additional voluntary contribution (AVC) scheme continue.

Life Cover

Life cover in the scheme doesn't change from April 2014. If you die in service whilst an active member of the scheme the scheme will still provide a lump sum payment of three times your annual pensionable pay. The only difference from April 2014 is that pay from non-contractual overtime is included in your annual pensionable pay figure.

You can also continue to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. You may also wish to update or change your expression of wish form this can be done in the same way. Expression of wish forms are available from your pension fund administrator Capita.

Survivors' Pensions

The scheme continues to provide cover for your family in the event of your death, with pensions for your dependants including spouses, civil partners, eligible cohabiting partners, and eligible children. This is an on-going pension for the rest of your spouse's, civil partner's or eligible cohabiting partner's life and is payable immediately after your death.

For your spouse or civil partner, the survivor's pension is 1/160th of your pensionable pay multiplied by the total membership you would have built up to your Normal Pension Age.

For your eligible cohabiting partner, the survivor's pension is calculated in the same way, although only your membership from 6 April 1988 is used in the calculation plus any of your membership before 6 April 1988 for which you have opted to pay additional contributions so that it counts towards a cohabiting partner's pension.

From April 2014, a survivor's pension will automatically be payable to an eligible cohabiting partner without the need for the scheme member to have completed a form nominating them to receive a survivor's pension.

Scheme rules and benefits pre 1st April 2014

All of the membership you build up in the Scheme before April 2014 will be used to calculate your benefits in the final salary scheme. Only the membership you build up from April 2014 onwards is calculated under the rules of the new career average scheme.

Membership accrual for service up to 31 March 2008, the pension is based on 1/80th of the member's final year's pensionable pay. For service after 1 April 2008 and to 31 March 2014, the pension is based on 1/60th of the member's final year's pensionable pay.

Further information can be obtained from **www.lgps2014.org** and www.mylgpspension.co.uk.

Scheme Movement Analysis – 1 April 2013 to 31 March 2014

The following statistics summarise administration activity during the financial year:

Number of retirees / preserved pensions put into payment:	262
Number of new dependant's pension paid:	80
Number of leavers (not entitled to immediate benefits):	547
Number of refund of contributions paid:	2
Number of transfer out payments made:	46
Number of deaths on pension/in service:	219
Number of new members into the scheme:	746

Pensions increases

If you are under age 55 your pension will be increased if you retired because of ill-health, or your deferred pension was brought into payment early because of ill-health and you are permanently incapacitated from engaging in any regular full-time employment. If you are under 55 and your pension is in payment for any other reason it will normally be paid at a flat rate until age 55. At 55 it will increase to the level it would have been, had it been increased every year since your date of leaving.

Unlike many pension schemes which limit increases, your LGPS pension increases in line with the cost of living. Although pensions are increased in April, they are based on the rise in the cost of living over the 12 months to the previous September.

The pensions increase in 2014 was 2.7% (2013: 2.2%).

Communications

Pre-retirement courses are held frequently during the year run by human resources. These courses provide members who are approaching retirement with useful information from State benefits to spare time activities.

Enquiries concerning the Local Government Pension Scheme with the London Borough of Waltham Forest or entitlement to benefits should be addressed to:

LBWF Pensions Team
Capita Hartshead
PO Box 195
Mowden Hall
Darlington
DL1 9FS

Tel: 020 8339 7063/7052/7062

Email: lbwf.pensions@capita.co.uk

Website: **www.mylgpspension.co.uk.**

GOVERNANCE REPORT

Pensions Fund Committee

In March 2009, the Council agreed to the establishment of a new Pensions Fund Committee with effect from the 2009/10 Municipal Year, with new terms of reference and delegated powers, and recommending that sufficient members be appointed to the Committee to ensure cover and in recognition of the importance of the decisions being taken. At the Annual Council meeting it was decided that 7 Members would be appointed, and that Members with relevant experience and background be encouraged to serve on the new Committee.

When the Committee was re constituted in May 2009 due to the election it was decided that only 5 members would be appointed to the Pension Fund Committee. During the 2014/15 Committee cycle we had four changes on the Pension Fund Committee membership.

Members and Observers of the Committee for 2014-15 where

Chair: Councillor Simon Miller
Vice Chair: Councillor Keith Rayner
Councillors: Andy Hemsted, Naheed Asghar and Gerry Lyons

Observers: Union (Unison) Representative David Knight
Pensioner Observer George Beattie
Employer Representatives Alan Leak and Jo Moore
Independent Advisor John Raisin
Officer Representatives John Turnbull – Director of Finance, Debbie Drew – Pensions and Treasury Manager

The following table lists the voting and non-voting rights of each member, observer, officer and their attendance at each Committee meeting for 2014/15:-

Name	*Voting Rights*	*July*	*Oct*	*Jan*	*March*
Cllr Simon Miller	*yes*	√	*X***	√	√
Cllr Keith Rayner	*yes*	√	√	√	√
Naheed Asghar	*yes*	√	√	√	√
Andy Hemsted	*yes*	√	*X***	*X***	√
Gerry Lyons	*yes*	√	√	√	√
John Turnbull	*no*	*X***	√	√	√
Debbie Drew	*no*	√	√	√	√
John Raisin (Independent Advisor)	*no*	*x*	√	√	√
Union Representative (David Knight)	*no*	√	√	√	√
Pensioner Representative (George Beattie)	*no*	*x*	*x*	√	√
Alan Leek	*no*	*x*	*x*	√	√
Jo Moore	*no*	*x*	√	√	√

***member representatives were sent in replacement of the Committee member and officers*

A member training session was held in November covering the Pension Fund Investment Strategy

Pension Board

The Public Service Pensions Act 2013 introduced a number of changes to the governance of the Local Government Pension Scheme (LGPS) including the requirement for each Fund to establish a local Pension Board from 1 April 2015. The detailed regulatory requirements relating to local Pension Boards in the LGPS are contained in the LGPS Regulations 2013 (as amended).

As a consequence of the legislative and regulatory requirements the Council at its meeting on 5 March 2015 approved the Terms of Reference for the local Pension Board for the London Borough of Waltham Forest LGPS Fund. The function of the Pension Board is not, under the Public Service Pensions Act 2013 and the LGPS Regulations, to be a decision making body . Rather, its role is to assist the Pension Fund Committee in securing compliance with the LGPS Regulations, other relevant legislation and with meting any other requirements placed on the Fund by the Pensions Regulator. The Pension Board also has the task of assisting the Pension Fund Committee in ensuring the efficient and effective administration of the Fund.

The Board must comprise of equal number of Employer and Employee representatives. The Waltham Forest Pension Board will comprise of at least two Employer and two Employee representatives who may not also be Councillors who are members of the Pension Fund Committee or Officers to that Committee. The Chair of the Pension Board may be one of the Employer or Employee representatives or alternatively, under the Terms of Reference approved by the Council, the Director of Finance may appoint a non-voting Independent Chair.

Governance Compliance Statement

The Council as administering authority to the Fund must publish a statement to demonstrate its compliance with good practice on governance issues. This is required under the LGPS Administration Regulations 2008. The statement must set out the degree of compliance with nine principles set out in a statutory guidance document issued by the Department of Communities and Local Government.

The final version of the Statutory Guidance on LGPS Governance Compliance Statements was issued by CLG in November 2008 and the Fund statement takes into account this version of the statutory guidance.

The statutory guidance accepts that there are many models for the administration and management of Local Government Pension Funds and seeks to set out best practice principles for their governance. As such they may be used by the Council to develop its policies for the management of the Fund in the immediate future, in particular where the statement shows the Fund is not fully compliant with the suggested best practice model.

The Council's Compliance Statement has been amended to take into account the establishment of the new Pensions Fund Committee following the recommendations made during 2008/09 and outlined above and other minor changes in in following years.

The Governance Compliance Statement for the Fund is attached as Appendix 4.

Ethical Investment Policy

The Pension Fund Committee has recognised the need to consider the long term impact on the Fund of the approach taken by companies on governance compliance, responsible investment and sustainable investment issues. This is a complex issue requiring careful analysis and due regard to the legal responsibilities of the Pension Fund.

Taking this into account, the Pension Fund's approach is to work with other LGPS Funds and gain from others experience and approaches through membership of the Local Authority Pension Fund Forum.

Local Authority Pension Fund Forum (LAPFF)

The Fund joined the LAPFF in January 2008. The Forum exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance amongst companies in which they invest. With more than half of all local authority funds as members, the Forum can negotiate with companies with a single authoritative voice, impossible for smaller funds acting alone. The Forum is developing policy and carrying out research and engagement with companies on many issues, including environmental issues such as the climate change impact of the transport sector, and the impact of oil extraction from tar sands. Other initiatives include engagement with fund managers to try to improve transparency of proxy voting policies by the managers, and on corporate governance issues.

Statement of Compliance with the CIPFA Skills & Knowledge Framework

As the administering authority of the Local Government Pension Scheme, London Borough of Waltham Forest recognises the importance of ensuring all staff and members charged with the financial management and decision making with regards to the pension scheme are fully equipped with the knowledge and skills to discharge duties and responsibilities allocated to them. It therefore seeks to appoint individuals who are both capable and experienced and it will provide training for staff and members of the Pensions Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Over the course of 2014/15 members of the Pensions Committee have attended external training and had training delivered by external fund advisors and other pensions experts at the normal Pensions Committee. External Training events were attended by:- Councillor Gerry Lyons. Training covered by normal Committee meetings covered the following topics:

Overview of the LGPS and Current Issues July 14
Asset Allocation and Investment Classes Oct 14
A separate Training session for members was held in November 14 covering Investment Strategy background, present and the bond portfolio.

During the year various investment managers, actuaries and Investment consultants attended the Committee meeting and informed on issues relating to their investments and current actuarial and investment issues.

Independent auditor’s report to the members of Waltham Forest Council on the pension fund financial statements published with the Pension fund annual report

We have examined the pension fund financial statements for the year ended 31 March 2015 on pages [a] to [b].

Respective responsibilities of the Director of Finance and the 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 in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of Waltham Forest Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of Waltham Forest Council for the year ended 31 March 2015 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters

Philip Johnstone
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

Date 29 September 2015

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES:

The London Borough of Waltham Forest as Administering Authority of the London Borough of Waltham Forest Pension Fund is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Finance.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- to approve the Statement of Accounts.

THE DIRECTOR OF FINANCE'S RESPONSIBILITIES:

The Director of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has: -

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

The Director of Finance has also: -

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

ISSUE DATE

The date that these Financial Statements were authorised for issue was 29 September 2015. All known material events that have occurred up to and including this date which relate to 2014/15 or before have been reflected in the statements and notes.

CERTIFICATION BY THE DIRECTOR OF FINANCE

I certify that this Statement of Accounts gives a true and fair view of the financial position of the London Borough of Waltham Forest Pension Fund as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015 and I hereby authorise its issue.

Date: 29 September 2015
John Turnbull CPFA
Director of Finance

Pension Fund Advisers and Other Service Providers 2014/15

During 2014/15, the following provided services to the Pension Fund:

Custodial Services

All assets and cash allocated for investment purposes are held by the Council's custodian bank - State Street:

State Street Bank and Trust Company
20 Churchill Place
Canary Wharf
London E14 5HJ

Actuarial Services

Actuarial services were provided during the year by Mercer:

Mercer Limited,
Mercury Court,
Tithebarn Street,
Liverpool,
L2 2QH

Investment Consultancy and Advice Services

Investment consultancy advice was provided by Mercer:

Mercer Limited,
Mercury Court,
Tithebarn Street,
Liverpool,
L2 2QH

Pension Fund Performance Measurement

Statistics provided were by WM Performance Services (A State Street Company):

State Street Investment Analytics,
525 Ferry Road,
Edinburgh,
EH5 2AW

Legal services

In-house by the Director of Governance and Law

Externally By Sackers, 20 Gresham Street, London, EC2V 7JE.

Independent Advice is provided by:

John Raisin, John Raisin Financial Services Limited

External Auditors

External Audit of the Pension Fund Accounts was carried out by KPMG

KPMG LLP (UK)
15 Canada Square
London
E14 5GL