Pension Fund Annual Report and Accounts

For the year ended 31 March 2025

THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

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1. Preface

Report from Chair of the Investment Committee

On behalf of the RBKC Investment Committee, I am delighted to present The Royal Borough of Kensington and Chelsea Pension Fund Annual Report and Financial Statements for the year ending 31 March 2025. During 2024/25, the Fund demonstrated resilience and growth, with total asset values increasing by £15m over the 12-month period to 31 March 2025, following a £227m increase in the previous year. These gains reflect the Fund's successful investment strategy, supported by four property purchases funded through available cash and income streams, reducing reliance on equities, which have remained stable.

Meanwhile, rental income from the Fund's direct UK property portfolio, now nearing 13% of its 20% target, and sustained interest rates from cash holdings have also bolstered the Fund's returns. The Investment Committee remains focused on maintaining a balanced investment strategy that navigates short-term volatility to prioritise long-term returns, ensuring the security of pensions for the Fund's beneficiaries over the decades to come. As a long-term investor, the Fund acknowledges the trade-offs associated with market fluctuations, particularly given the lingering effects of inflation and interest rate adjustments seen in recent years. Such moves, while notable, are unlikely to be seen as significant with the passage of time.

Notwithstanding the ongoing challenges, the Fund has maintained an impressive performance, standing out as the best-performing LGPS fund across the 10- to 30-year timeframes. Additionally, it ranks in the top quarter for both 3- and 5-year periods, underscoring its strong long-term results. The Fund was valued at £1.826bn as at 31 March 2025. Significant strides have been made towards achieving our UK commercial property mandate, with the directly held portfolio advancing towards its 20% target. This direct UK property investment enhances diversification away from global equities and provides a sustainable income stream, offering potential for stable rental income and capital growth in the years ahead. The Fund remains committed to prudent cost management and transparency, prioritising real assets and avoiding complex and costly 'black box' investment manager solutions.

In alignment with the Fund's commitment to cost efficiency, the Fund continues to monitor investment manager fees diligently. Increase in fess reflects the Fund's strong investment performance and the one-off costs associated with property acquisitions. The Fund has explicitly accepted the higher upfront but one-off costs from direct investment, believing that over the holding period, average costs will be lower. The Fund's pensions administration team, brought back in-house in April 2021, continues to grow and develop, resolving data issues and conducting staff pension workshops to support our members effectively.

I extend my gratitude to the Investment Committee, the RBKC Local Pension Board, the Fund's advisers, employer organisations, and the Tri-Borough Pension Fund team for their ongoing dedication and hard work in managing the Pension Fund throughout 2024/25.

Councillor Quentin Marshall

Chairman of the Investment Committee

Introduction

The Royal Borough of Kensington and Chelsea Pension Fund is part of the national Local Government Pension Scheme (LGPS), administered by the Royal Borough of Kensington and Chelsea Council (The Council). It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the Borough and a number of admitted and scheduled bodies who are also members of the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and by returns from Fund investments. Contributions rates for employees are set in accordance with the Local Government Pension Scheme Regulations 2013. Employer contributions are set based on the triennial actuarial funding valuation, for the 2024/25 funding year this was the 2022 valuation.

A new LGPS scheme was introduced with effect from 1st April 2014. One of the main changes is that a scheme member's pension is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Everything built up in the Scheme before 1st April 2014 is protected so benefits up to that date will be based on the scheme member's final year's pay.

Benefits payable from the Fund are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- A pension based on career average earnings (revalued in line with the Consumer Prices Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health
- The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016. The content and format of this annual report is prescribed by the LGPS Regulations 2013.

The annual report brings together a number of separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund.

Revised annual report guidance was released in April 2024, jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Department for Levelling Up, Housing and Communities (DLUHC), in consultation with funds, industry experts, and other stakeholders.

Introduction (continued)

This annual report comprises the following sections:

- Management and Financial Performance which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- Investment Policy and Performance detailing the Fund's investment strategy, arrangements and performance.
- Scheme Administration which sets out how the Scheme's benefits and membership are administered.
- Actuarial Information which includes the funding position of the Fund with a statement from the Fund's actuary.
- The Pension Fund annual accounts for the year ended 31 March 2025
- A glossary of some of the more technical terms
- Appendices setting out the various regulatory policy statements of the Fund:
    - Governance Compliance Statement
    - Investment Strategy Statement
    - Communication Policy
    - Funding Strategy Statement

Information about the Local Government Pension Scheme in general can be found at

www.lgpsmember.org

Information about the Kensington and Chelsea Local Government Pension Fund and accessible version of the Fund's annual reports and other regulatory statements can be found in the 'Resource' section at:

www.rbkcpensionfund.org

Hard copies can obtained using the contact details below.

CONTACT DETAILS

For further information please contact the Tri-Borough Pensions Team based at Westminster City Council:

The Pensions Team

Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QP

Email: pensioninvestment@rbkc.gov.uk

2.

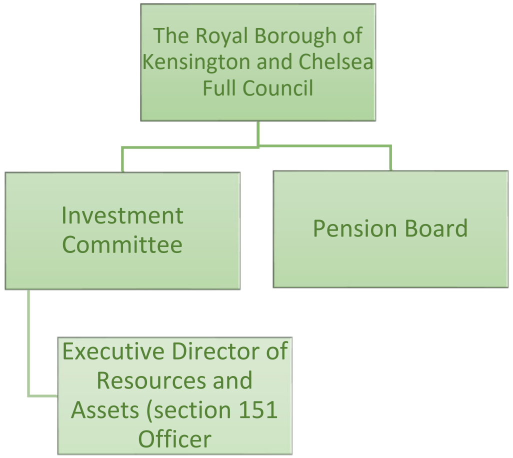
Management and Financial Performance

Governance Arrangements

COUNCIL STRUCTURES

The Royal Borough of Kensington and Chelsea has delegated its decision making in relation to the Pension Fund to the Investment Committee.

The diagram below sets out the governance structure in place for the Fund.



The Committee obtains and considers advice from the Executive Director of Resources, in his capacity of Section 151 Officer and also from the Fund's appointed actuary, and investment advisor.

INVESTMENT COMMITTEE

The Council has delegated decision making powers in respect of pensions to the Investment Committee (the Committee). Resigned co-opted members were superseded during the year, membership of the Committee in 2024/25 was 7 elected councillors plus 5 co-opted non-voting members. Attendance was as follows:

Committee Members	Committee Attendance
Cllr Q Marshall (Chairman)	4/5
Cllr W Lane (Vice Chairman)	1/1
Cllr J Husband	4/5
Cllr P Hudd	4/4
Cllr M Elnaghi	5/5
Cllr S Lari	4/5
Cllr S Mackover	3/5

Co-opted Members	Committee Attendance
Henry Cooke	4/4
Robert Davy	4/4
Richard Hubbard	2/4
Graeme Bunn	4/4
Ross Owen	3/4

The Committee meets at least four times a year, "To consider and decide all matters appertaining to the Council's Superannuation Fund and to report annually, or otherwise as may be necessary, to the Council."

The terms of reference for the Investment Committee are contained in Appendix 1.

LOCAL PENSION BOARD

The role of the Board is to assist the administering authority (the Royal Borough of Kensington and Chelsea) with:

- Meeting any requirements imposed by legislation and the pensions regulator
- Ensuring the effective and efficient governance and administration of the Fund.

The Board does not have a decision making role but is able to make recommendations to the Investment Committee or, if needs be, Full Council.

The Board comprises three employer representatives plus three scheme members representatives; one union representative, one deferred/retired member and one active member. The Pension Board aims to meet at least two times year, with four meetings held during 2024/25. Attendance information is set out below:

Board Members	Board Attendance
Cllr D Lindsey (Chair)	3/4
Ms L Myers (Vice Chair)	4/4
Cllr L North	4/4
Mr K Davison	3/4
Ms S Rawal	4/4
Mr J Birdi	3/4

GOVERNANCE (CONTINUED)

A core requirement of pension board membership is that members are adequately trained in accordance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. To meet this requirement, Board members have:

- Attended induction training and a presentation on actuarial valuations
- Completed a self-assessment which will be used as the basis for further training provision.

The Pension team holds a half-day training session every six months, covering a wide range of pension topics to ensure Members are up to date with the latest developments. Topics include the actuar

ial valuation, economic reviews, and ESG investment developments.

CODES OF CONDUCT

The Pension Fund is governed by Council members acting as trustees and the Code of Conduct includes provisions on ethics and standards of behaviour which require members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of Council decisions.

The Code sets out the action an elected member must take when they have "pecuniary interests" in Council business, for instance withdrawing from the room whilst the matter is being discussed and not taking part in the voting process unless special permission has been obtained. The Code also requires elected members to register disclosable pecuniary interests.

A copy of the Council's Code of Conduct is available from:

Bi Borough Legal Services

The Royal Borough of Kensington and Chelsea
Town Hall
Hornton Street
LONDON
W8 7NX

Telephone: 020 7361 3000

COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles.

This measurement should result in a statement of full, partial or non-compliance with explanations provided for any areas of non- or partial-compliance.

The key issues covered by the best practice principles are:

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

The Fund's Governance Compliance statement can be found at Appendix 1.

Scheme Management and Advisors

OFFICERS

The Royal Borough of Kensington and Chelsea, the City of Westminster, and the London Borough of Hammersmith & Fulham have collaborated to deliver a more efficient service and enhance resilience in areas requiring scarce and specialist expertise, with Bexley joining as an external organisation to benefit from these efficiencies. The collaboration includes the Pensions and Treasury teams, which manage pension fund investments and treasury operations across the boroughs.

Pension Administration and Human Resources, including payroll services, are managed in-house and based at Kensington Town Hall.

Legal Services operate on a bi-borough basis with Westminster.

The Pension Funds continue to be managed separately in accordance with their respective Investment Strategy Statements and Funding Strategy Statements, ensuring each retains sovereignty over decision-making.

EXTERNAL ADVISORS

The investment advisor and actuary are appointed on fixed-term contracts, procured through the LGPS Framework, which aligns with the Council's procurement policies and fully complies with the Public Contracts Regulations 2015.

The Council engaged Sanderson Weatherall to complete their property valuations, including those for the pension fund properties.

Role		Details
Section 151 Officer / Executive Director of Resources		Mike Curtis
Tri -Borough Director of Treasury & Pensions		Phill Triggs
Head of Payroll, Pensions and HR Systems		Anerley Smith
Tri-Borough Pensions Team	Mat Dawson, Strategic Investment Manager	Julia Stevens, Pension Fund Manager (RBKC)
	Alastair Paton, Senior Pensions Reconciliation Officer	Billie Emery Pension Fund Manager (WCC)
		Sian Cogley Pension Fund Manager (LBHF)
		Ruby Vuong Pension Fund Manager (Bexley)
Director of Human Resources		Jamie Davies
Investment Adviser		Mercer LLC
Investment Managers	Adams Street Partners	BlackRock
	Baillie Gifford	DTZ Investors
	CBRE Global Investors	
Asset Pool		London CIV
Property Valuer		Sanderson Weatherall LLP
Custodian		Northern Trust
Bank		NatWest
Actuary		Hymans Robertson LLP
Auditor		Grant Thornton LLP
Legal Adviser		Eversheds Sutherland (Intl) LLP
Scheme Administrator		Royal Borough of Kensington and Chelsea (internal)
AVC Providers		Prudential PLC

Risk Management

Risk management is an issue for all those involved in the management of the Local Government Pension Scheme (LGPS), including members of the Investment Committee, Council officers, Fund Managers and the Fund administrator.

In line with the best practice and the Pension Regulator's Code of Practice, the Pension Fund maintains a risk register to ensure that:

- risks are properly understood, and
- appropriate action is taken to mitigate them.

The Risk Register is updated regularly by officers and has been reclassified to bring risk type in line with CIPFA's Managing risk in the Local Government Pension Scheme framework. The Register is subject to annual review by the Pension Board and Investment Committee.

The table opposite summarises the medium risk areas identified, mitigating actions in place and officer responsibilities.

Risk area identified	Mitigating action in place
Price inflation is significantly more than anticipated in the actuarial assumptions. An increase in CPI inflation by 0.1% over the assumed rate will increase the liability by £16m.	Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices. The fund holds real assets including a growing portfolio of direct property, to mitigate CPI risk. Global equities also provide a degree of inflation protection. Officers continue to monitor the increases in CPI inflation.
Uncertainty surrounding illiquid asset values including property and infrastructure.	The Fund holds a diversified portfolio, asset allocation is regularly reported with asset rebalancing taking place when necessary. Officers regularly engage with Fund Managers and the Pension Fund's investment advisor.
Scheme members live longer than expected leading to higher-than-expected liabilities.	The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.
Significant volatility and negative sentiment in global investment markets following economic uncertainty.	Officers continue to communicate with investment fund managers regularly, alongside the investment advisors who review and advise on the investment strategy in different asset classes. The Fund has no direct investments to Russia or Ukraine. The Fund's investment strategy involves portfolio diversification and risk control.
Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	Officers consult and engage with MHCLG, the LGPS Scheme Advisory Board, advisors, consultants, and peers at various seminars and conferences.
Environmental risk: Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage and investment risk.	The Fund became a member of the Local Authority Pension Fund Forum. The Forum engages directly with company chairs and boards to affect change at investee companies. The Fund has published and reviews its Investment Strategy Statement in relation to published best practice (e.g. Stewardship Code) and published a Responsible Investment Strategy. Managers provide updates on engagement with investee companies.

Risk Management (continued)

THIRD PARTY RISKS

Fund manager	Type of assurance	Control framework	Compliance with controls	Reporting accountant
Adams Street	SOC1	Reasonable assurance	Reasonable assurance	KPMG LLP
Baillie Gifford	ISAE3402	Reasonable assurance	Reasonable assurance	PWC LLP
BlackRock	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte LLP
CBRE	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte LLP
DTZ Investors	AAF 01/20	Reasonable assurance	Reasonable assurance	BDO LLP
Custodian				
Northern Trust	SOC1	Reasonable assurance	Reasonable assurance	KPMG LLP

Third party assurances received and summarised above represent cover 86% of investment holdings at 31 March 2025. No significant weaknesses in internal control were highlighted by these reports.

The Fund's assets are managed by external investment managers. A range of different managers and fund mandates are used to diversify investment risk.

In its capacity as administering authority for the Royal Borough of Kensington and Chelsea Pension Fund, the Royal Borough of Kensington and Chelsea is legal owner of the direct properties. These properties are appraised by an independent valuer each year.

The pooled assets held by the Fund are also held by custodians independent of the investment managers responsible for investment decisions.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the investment managers and fund custodian. These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Fund Committee.

Further details of investment performance are provided in section 3.

Financial Performance

FUND VALUE

	2022/23	2023/24	2024/25
Net Asset Statement	**£'000**	**£'000**	**£'000**
Equities	150	150	150
Pooled Investment Vehicles	1,450,581	1,459,805	1,491,122
Directly held property	126,180	167,135	235,375
Cash and other assets	1,598	83,490	24,244
Total Investment Assets	1,578,509	1,803,867	1,821,561
Current assets	8,815	11,106	10,055
Current Liabilities	-3,387	-4,335	-5,494
Long-term Liabilities	-70	-70	-70
Total Fund Assets	1,583,867	1,810,568	1,826,052
Net increase/(decrease) in Fund	**-46,977**	**226,702**	**15,484**

INVESTMENT RETURNS

	2022/23	2023/24	2024/25
Gross investment returns	8,687	11,078	18,143
Change in market value of investments	-45,871	239,729	22,434
Total investment income	-37,184	250,807	40,577

FUNDING LEVEL

	2022/23	2023/24	2024/25
Overall funding level assessed by actuary	154%	199%	210%

Total Fund asset values increased by £195m over the three-year period (£329m over previous 3 years) and increased by £15m over the past 12 months (£227m decrease over previous 12 months). Investment returns increased by £41m in 2024/25 (£251m increase in 2023/24).

The Fund's performance has been enhanced by a diversified investment approach, with a strong emphasis on equities, which have delivered robust returns. Steady rental income and elevated interest rates have bolstered cash flow, while the Fund maintains cash reserves to meet liabilities.

Overall, the Fund continues to excel, securing the top ranking for performance over 10+ years. In the one-year universe comparison of LGPS funds across all measured periods, it ranked 83rd. Equities have consistently driven the strongest long-term results.

UK equities have significantly lagged behind global equity portfolios over medium- and long-term periods. Bonds have notably hindered performance for most funds, with low yields from government securities prompting a significant shift toward private debt. Infrastructure investments have positively contributed to overall fund performance. Additional details are provided in the Investment Policy and Performance Section.

Both officers and the Investment Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Independent actuaries have assessed the Fund to be "fully funded" following a full revaluation as at 31 March 2022, with no shortfall between the assessed level of future pension liabilities and expected income from contribution and investments. See section 5 for the actuary's report.

Financial Performance (continued)

DEALINGS WITH SCHEME MEMBERS

	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Contributions receivable				
- Members	8,811	9,814	10,484	11,300
- Employers	20,292	22,053	12,536	13,252
- Transfers in and other income	6,532	7,420	11,780	13,988
Total Income	35,635	39,287	34,800	38,540
Benefits				
- Pensions	29,329	30,728	34,288	37,953
- Lump sum retirements and death benefits	5,446	5,736	6,684	7,012
- Transfers out	6,809	6,558	11,058	1,106
- Refunds	107	131	23	131
- Payments in respect of tax		0	321	9
Other expenditure	163	0	0	0
Total Expenditure	41,854	43,153	52,374	46,211
Net Dealings with Members	**-6,219**	**-3,866**	**-17,574**	**-7,671**

OPERATING COSTS

The costs of running the pension fund are shown below.

	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Administration	1,323	1,101	1,136	1,421
Governance and Oversight	355	386	545	596
Investment Management	4,332	4,441	4,849	5,522
Total	**6,010**	**5,928**	**6,530**	**7,539**

Benefits paid over the years continue to exceed contributions received. This is mainly due the 'full funding' status achieved by the fund as a whole at the 2019 valuation. This has resulted in fewer employers paying a 'top up' on contributions. At the 2022 valuation, due to excellent performance and a reported surplus, the Fund was able to agree the lowest contribution rates across the LGPS. This has resulted in lower contributions receivable and a greater "gap" between income and benefits paid. This is filled by cash distributions received from returns and income on investments.

Administration fees rose by 25% in 2024/25, primarily due to increased staff costs following the addition of new team members. The Pension Administration service was internalised in 2021/22, with the team progressively onboarding experienced personnel. Further fee increases are anticipated due to inflation and rising expenses, including software and licensing costs. As a result of bringing administration services in-house, there has been significant improvements to the quality of member data and member query responses. The team has resolved historic data errors and successfully rolled out the new online member self-service portal.

Total operating costs as a percentage of total net assets was 0.41% (0.36% in 2023/24). The aim is to reduce the costs of running the pension fund. The administration cost per member for 2024/25 was £106.32 (£84.41 in 2023/24).

Investment Management fees increased by 14%, correlating with the increase in assets and progression of the Fund's property portfolio. Overall, the Fund saw a 15% increase in management expenses compared to 2023/24.

All fund managers are signed up to the Local Government Pension Scheme Advisory Board Code of Transparency and submit a Cost Transparency Initiative report to ensure a standardised and comparable approach to investment management expenses.

Administration and Membership

The administration of the Fund is undertaken by Royal Borough of Kensington and Chelsea, the service was bought in house on 1st April 2021. These costs are reimbursed by the Pension Fund. Costs for providing the services are forecast and reported to the Investment Committee as part of the Fund's forecasted expenses.

PERFORMANCE INDICATORS

Performance indicators ensure that service to members of the pension fund is effective. Revised Annual Reporting guidance, issued in April 2024, introduced suggested KPIs to be reported on a best endeavours basis to monitor administration services. The Pension Fund has implemented, and continues to develop, new processes to track these revised KPIs.

Table A - Total number of casework					
Ref	Casework KPI	Total Number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year
A1	Deaths recorded of active, deferred, pensioner and dependent members	45	126	115	91%
A2	New dependent member benefits		33	33	100%
A3	Deferred member retirements		166	166	100%
A4	Active member retirements		71	71	100%
A5	Deferred benefits	18	945	834	88%
A6	Transfers in (including interfunds in, club transfers)		203	123	61%
A7	Transfers out (including interfunds out, club transfers)		284	281	99%
A8	Refunds	1	118	119	101%
A9	Divorce quotations issued		27	27	100%
A10	Actual divorce cases		1	1	100%
A11	Member estimates requested either by scheme member and employer	2	287	281	98%
A12	New joiner notifications		576	576	100%
A13	Aggregation cases		134	71	53%
A14	Optants out received after 3 months membership		167	167	100%

Table B - Time taken to process casework			
Ref	Casework KPI	Fund Target	% Completed within fund target in year

B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	100%
B2	Communication issued confirming the amount of dependents pension	10 days	100%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	99.75%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	91.81%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	100%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	100%
B7	Payment of lump sum (both actives and deferreds)	15 days	100%
B8	Communication issued with deferred benefit options	30 days	90.65%
B9	Communication issued to scheme member with completion of transfer in	15 days	100%
B10	Communication issued to scheme member with completion of transfer out	15 days	100%
B11	Payment of refund	10 days	100%
B12	Divorce quotation	45 days	100%
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days	100%
B14	Communication issued to new starters	40 days	100%
B15	Member estimates requested by scheme member and employer	15 days	97%

Table C - Communications and engagement		
Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	40.32
C2	% of deferred member registered	28.33
C3	% of pensioner and survivor members	39.15
C4	% total of all scheme members registered for self-service	31.19
C6	% of all registered users that have logged onto the service in the last 12 months	17.40
C7	Communication	

C9	Number of times a communication (i.e newsletter) issued to:	
C10	a) Active members	1
C11	b) Deferred members	1
C12	c) Pensioners	1

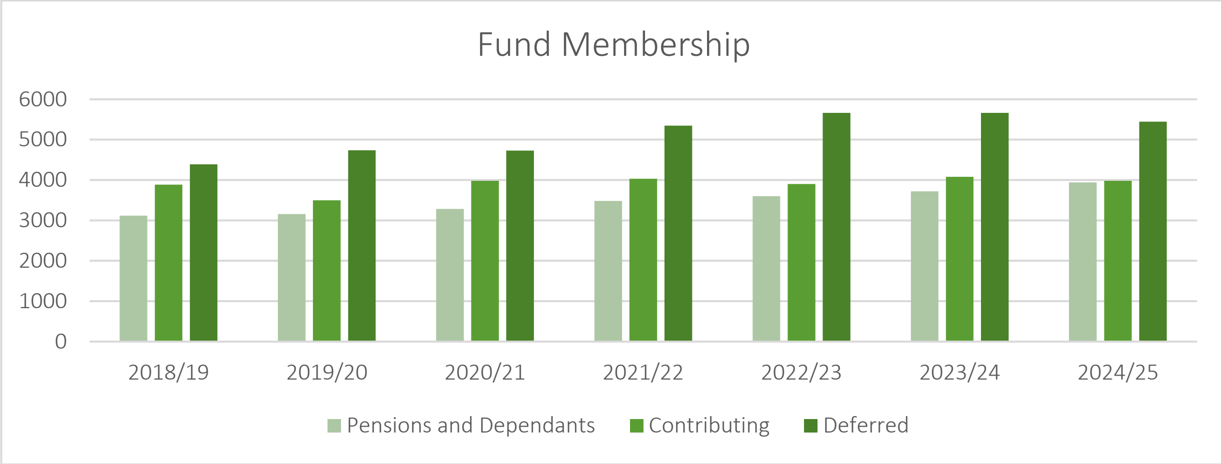
Administration KPI table D – Resources		
D1	Total number of all administration staff (FTE)	8
D2	Average service length of all administration staff	13 years
D3	Staff vacancy rate as %	27.27
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1:1747
D5	Ratio of administration staff (excluding management) to total number of scheme members	1:1997

Administration and Membership (continued)

MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased by 18% since 2019/20, from 11,390 to 13,365.

The number of contributing members to the Pension Fund has decreased to 3981 in 2024/25 from 4,080 in 2023/24. The number of pensioners increased by 224 and deferred members decreased from 5,661 in 2023/24, to 5,443 as at 31 March 2025 .



EARLY AND ILL HEALTH RETIREMENTS

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given opposite as at each year on 31 March.

Reason for Leaving	2020/21	2021/22	2022/23	2023/24	2024/25
Ill Health Retirement	1	1	0	1	10
Early Retirement	15	16	18	17	24
Total	**16**	**20**	**18**	**18**	**34**

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

The Fund provides pensions not only for employees of The Royal Borough of Kensington and Chelsea, but also for a number of scheduled and admitted bodies:

- Scheduled bodies such as academy schools have a statutory right to belong to the LGPS
- Admitted bodies participate by way of an admission agreement and include not for profit organisations or contractors who have taken on Council staff.

The following tables analyse contributions received for 2024/25.

	Employers Contributions	Employees Contributions	Total Contributions
Administering Authority	**£'000**	**£'000**	**£'000**
RBKC Council	9,345	9,295	18,640
St Charles Primary	38	26	65
St Thomas Primary	49	35	84
Park Walk Primary	65	39	103
Barlby Primary School	79	64	144
Golborne and Maxilla Children's Centre	42	35	77
Oratory Roman Catholic Primary School	28	22	50
Oxford Gardens Primary School	45	36	81
Holy Trinity Primary School	42	34	76
St Clement and St James CofE Primary School	29	17	46
All Saints Catholic College	91	69	159
St Cuthbert & St Matthias Peter School	24	15	39
Chelsea Open Air Nursery and Children's Centre	13	11	24
Christ Church CE Primary School	33	27	60
Colville Primary School	103	75	179
Avondale Park Primary School	61	49	111
St Francis of Assisi RC Primary School	34	28	62
Servite RC Primary School	40	34	74
Ashburnham Community Primary School	26	21	47
Bevington Primary School	43	35	79
Bousfield Primary School	43	35	78
Chelsea Community Hospital School	44	37	82
FOX Primary School	89	67	155
St Anne's Nursery School	7	6	13
St Mary RC Primary School	38	30	68
St Thomas More Language College	26	22	48
Thomas Jones Primary School (Payroll RBKC)	32	25	57
Marlborough Primary	80	66	146
Our Lady of Victories Primary School	18	15	32
St. Barnabas' & St. Philip's Primary School	19	16	35
St Mary Abbot's	11	8	19
Administration Total	10,636	10,293	20,929

Admitted Bodies			
Hestia	3	1	4
Octavia Housing	17	5	22
Opera Holland Park Friends	18	6	25
RBKC - Fit for Sport	2	0	2
Atlas FM Services	14	4	18
Bellrock Group	12	3	15
HATS (2019 contract)	8	4	11
Total Contributions from Admitted Bodies	**73**	**24**	**97**

Scheduled Bodies			
Chelsea Academy	201	85	286
Kensington and Chelsea College	248	103	351
St Charles Sixth Form College	205	88	292
Ark Brunel Primary Academy	81	18	99
Kensington Aldridge Academy	286	141	428
Ormiston Trust - Latimer AP Academy	56	24	80
Cardinal Vaughan Academy	204	91	295
Parkwood Hall Academy	671	192	863
Knowledge Kensington Primary Academy	34	13	47
Queensmill Kensington Academy	230	93	323
St Joseph RC Primary School	56	23	79
Holland Park	195	81	276
St Thomas More Language	76	31	106
Total Contributions from Scheduled Bodies	2,543	983	3,525

3. Investment Policy and Performance

Investment Policy

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk.

The Investment Committee sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS)

The ISS addresses each of the 6 objectives required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, as set out below:

• A requirement to invest fund money in a wide range of instruments;

• The authority's assessment of the suitability of particular investments and types of investment;

• The authority's approach to risk, including the ways in which risks are to be measured and managed;

• The authority's approach to pooling investments, including the use of collective investment vehicles;

• The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

• The exercise of rights (including voting rights) attaching to investments.

The ISS also sets out in Appendix 1 and 2 respectively, how the Fund complies with:

• CIPFA Pensions Panel principle for investment decision making in the LGPS;

• The Stewardship Code;

Identification and management of risks is addressed in the Pension Fund Risk Register, which is maintained and reviewed at Investment Committee and Pension Board. The risks identified have been reduced through agreed mitigating actions. The risk objective areas have been updated to reflect the CIPFA managing risk framework. The Risk Register is included alongside the ISS in Appendix 2 of this annual report.

A strategic asset allocation is agreed and regularly reviewed and can be found within the ISS.

The Tri-Borough Pensions Fund Team

16th Floor
City Hall
64 Victoria Street
London
SW1E 6QP

Email: pensioninvestment@rbkc.gov.uk

Asset Allocation

The strategic asset allocation is agreed by the Investment Committee and the Fund's advisers. The target and actual allocation as at 31 March 2025 is as follows:

Asset Class	Target allocation	Actual Allocation	Current Fund Managers
Global Equities	70%	74%	Baillie Gifford (20%) BlackRock (50%)
Index-Linked Gilts	5%	4%	Held with custodian
Private Equity	5%	7%	Adams Street
Property	20%	14%	CBRE (pooled) Kames (Pooled) Directly Managed
Cash	0%	1%	Custodian
Total	**100%**	**100%**	

The Investment Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. In order to follow the Myners' Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation proposals.

Investment portfolios are reviewed quarterly at each Committee meeting in discussion with the Independent Investment Adviser and Officers.

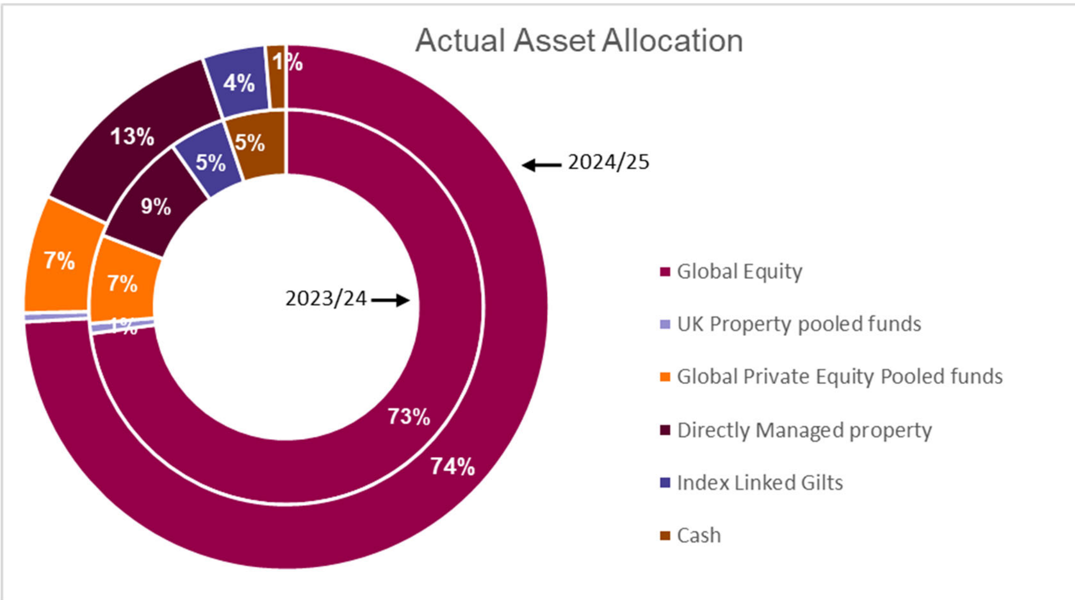
Fund managers provide a rationale for asset allocation decisions based upon their research resource in an effort to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy is set out in the ISS.

The actual asset allocation of the Pension Fund at the start and end of the financial year are set out below. These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Investments Committee.

The Fund is committed to purchasing high quality, commercial properties to meet the 20% strategic direct property allocation. Three properties were acquired during the year with further opportunities in discussion. Property purchases are being funded by the cash held by the Fund and capital repayments from pooled property as funds are winding down.

The increase in rental income and distributions continues to assist the Fund's cash flow, ensuring that cash is available to pay liabilities as they fall due without the need to draw down from other investments.

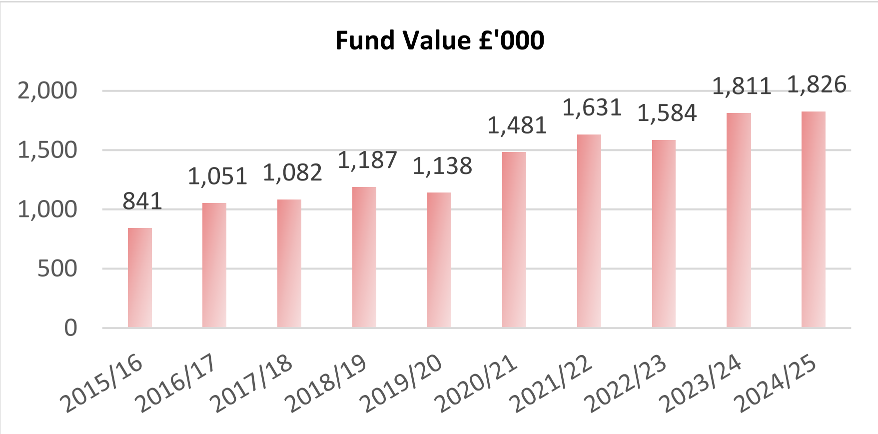
Index-linked gilts were acquired in April 2023, following the Investment Committee's decision to allocate 5% of the portfolio to this asset class. The purchase was funded by redeeming cash from the Sterling Liquidity Fund. Additional gilts were purchased in January 2024 to maintain the target allocation



Investment Performance

FUND VALUE

Over the past decade, the Fund's value has more than doubled, with a modest 1% increase in the year ending 31 March 2025. Poor performance by active equity managers and a significant negative impact from holding government bonds, especially Index-Linked, restrained growth. Equities have driven long-term gains, though UK equities have consistently underperformed global portfolios. Bonds, particularly index linked, have notably dragged performance. Long-term returns exceed inflation and actuarial assumptions. The Fund saw a 14% rise in 2023/24, driven by strong global equities, while 2022/23 saw a slight decline due to inflation and rising interest rates. Post-COVID recovery fuelled increases of 30% in 2020/21 and 10% in 2021/22.

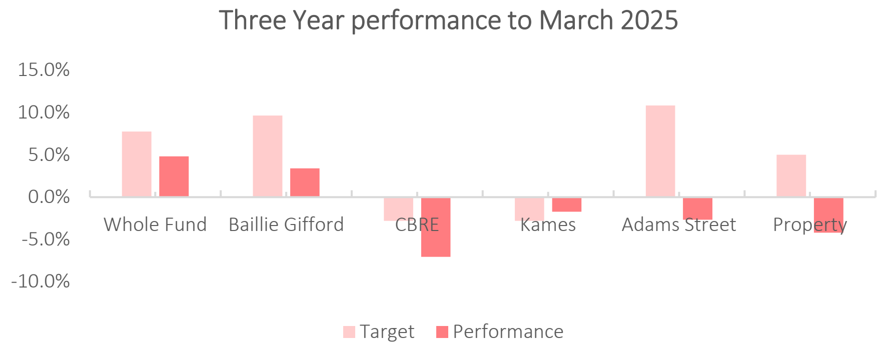


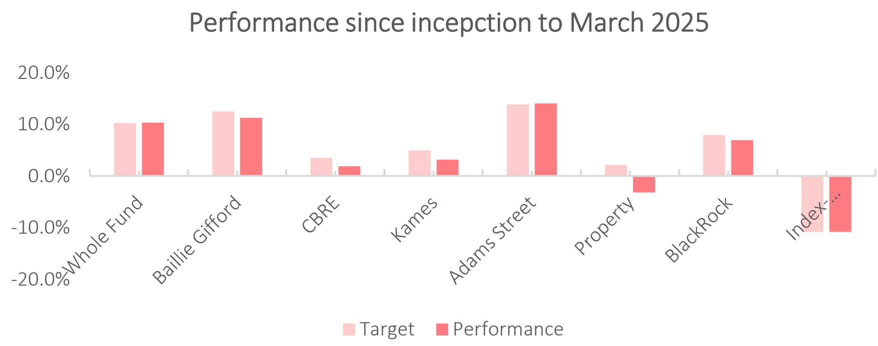
The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.

Performance of the Fund is measured against an overall strategic benchmark. Each Fund Manager is given individual performance targets which are linked to index returns for the assets they manage. Performance of Fund Managers is reviewed quarterly by the Investment Committee, supported by the Fund's independent investment advisor, Mercer.

The graphs below show how the Fund and individual managers have performed against target over the past three years and since inception. The Fund has outperformed against its benchmark targets overall, mainly due to excellent returns from pooled overseas equities. Pooled property funds are in the process of winding down with distributions being invested in the directly managed property mandate.

The Fund first invested in index-linked gilts in April 2023, diversifying across various maturities. The performance benchmark currently mirrors the account's return. The strategy is to hold these investments until maturity to mitigate CPI risk on the Pension Fund's liabilities.





POOLING

RBKC is a shareholder of the London Collective Investment Vehicle (LCIV) as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has circa has £19.3bn under direct management, with 28 sub-funds launched as at March 2025.

With the Pension Bill set to be enacted in March 2026, the Fund is engaging with the London CIV to explore asset pooling options, focusing on the transition pathway. Direct commercial property, private equity, and index-linked gilts are deemed unsuitable for pooling due to their specialised nature. The Fund is collaborating with London CIV and other London LGPS funds to develop Investor Management Agreements as an interim solution for managing these assets, with ongoing discussions to finalise arrangements and ensure compliance.

The Council believes that holding investments in companies associated with the Grenfell Tower tragedy is unacceptable from ESG perspective. Consequently, the Fund has developed a new index for global equity investments, managed by BlackRock, to screen out these companies. The Fund is working with London CIV to implement a solution to ensure RBKC does not invest in companies linked to the Grenfell fire disaster, aligning with the Council's commitments to survivors.

The table below presents a breakdown of current pooled assets:

£m Asset values as at March 2024	Pooled	Under Pool management	Not pooled	Total
	£'000	£'000	£'000	£'000
Equities	-	-	1,349,667	1,349,667
Bonds	-	-	70,670	70,670
Property	-	-	245,261	245,261
Private equity	-	-	131,720	131,720
Cash	-	-	24,244	24,244
Total			**1,821,561**	**1,821,561**

The table below provides an additional breakdown of investment assets on investment in the UK:

£m Asset values as at March 2024	Pooled	Under Pool management	Not pooled	Total
	£'000	£'000	£'000	£'000
UK Listed Equities	-	-	38,615	38,615
UK Government Bonds	-	-	70,713	70,713
UK Infrastructure	-	-	245,261	245,261
Total			**354,589**	**354,589**

Corporate Governance

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (Appendix 4) sets out the aims and purpose of the pension fund, namely:

- To identify how pension liabilities are best met going forward; taking a prudent long-term view;
- To maintain contribution rate stability.

PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds. CIPFA staff and the network generally are able to advise on all aspects of pension and related legislation. Training events and seminars are also available.

The Fund is also a member of the Pensions Lifetime and Savings Association and Local Authority Pension Fund Forum.

COLLABORATIVE VENTURES

In the July 2015 budget, the Government announced that it wanted to see LGPS funds pool investments to reduce costs and facilitate improved governance while maintaining overall investment performance. The Royal Borough of Kensington and Chelsea has actively supported the establishment of the London Collective Investment Vehicle (CIV) through an initial investment of £150,000.

SEPARATION OF RESPONSIBILITIES

The Fund has appointed a global custodian (Northern Trust), independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments. Northern Trust are also responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest. Funds not immediately required to pay benefits are held in interest bearing accounts.

The actuary is responsible for assessing the long term financial position of the pension fund and issues a Rates and Adjustments statement following each triennial valuation of the Fund, setting out the minimum contributions which each employer in the Scheme is obliged to pay over the next three years.

RESPONSIBLE INVESTMENT POLICY

The Council believes that following good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of a company and will ultimately improve investment returns to its shareholders.

Fund investment managers are therefore expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

STEWARDSHIP CODE

The Investment Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all the Council's equity investment managers are signatories to the UK Stewardship Code.

The UK Stewardship Code encourages Fund Managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Investment Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The ultimate aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

VOTING

Fund Managers have the delegated authority to vote at shareholder meetings in accordance with the above guidelines, which have been discussed and agreed with the Investment Committee.

4. Scheme Administration

Scheme Administration

SERVICE DELIVERY

Although the LGPS is a national scheme, it is administered locally. The Royal Borough of Kensington and Chelsea has legal responsibility for:

- collecting pension contributions
- maintaining membership records
- paying pension benefits to eligible members and their dependants

From 1 April 2021, the Council has provided pension administration services to the Pension Fund. The service was bought in house following termination of the contract with Surrey County Council in order to improve performance.

The Pension Administration Strategy, (see Appendix 5) aims to ensure that the nature of the relationship and respective roles and responsibilities under the Local Government Pension Scheme are clearly understood between:

- the Administering Authority,
- Admitted and Scheduled body employers
- Outsourcing partners

Performance is measured against targets set out in the Pensions Administration Strategy and contract agreement, as discussed in section 2.

The Director of Human Resources at the Royal Borough of Kensington and Chelsea provides day to day oversight of the administration service and reports performance to the local pension board.

EMPLOYER ANALYSIS

The Fund provides pension services not just to the Council but also to a number of other organisations with employers belonging to the LGPS.

No employer or scheduled bodies were admitted during 2024/25 The table below summarises the current number of employers in the Fund.

	Active	Ceased	Total
Administering Authority	1	0	1
Scheduled Body	13	0	13
Admitted Body	7	0	7
Total	**21**	**0**	**21**

Further details of admitted and scheduled bodies are provided in section 2.

COMMUNICATION POLICY STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement, which can be found at Appendix 3.

The Communication Policy details the overall strategy for involving stakeholders in the pension fund. A key part of this strategy is a dedicated pension fund website, which can be accessed via the following link:

http://www.rbkcpensionfund.org/

COMPLAINTS PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. In the first instance a complaint must be sent in writing to:

Anerley Smith
Head of Payroll, Pensions and HR Systems
The Royal Borough of Kensington and Chelsea,
Town Hall,
Hornton Street,
London, W8 7NX

A complaint must be submitted within six months of the original decision or non-decision and the Appointed Person must respond within two months of receiving the complaint.

The Pensions Advisory Service (TPAS) and then the Pensions Ombudsman can assist if the Internal Disputes Resolution Procedure has failed to resolve the matter satisfactorily. TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
Pimlico
London
SW1V 1RB

5.

Actuarial Information

Report by Actuary

INTRODUCTION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

DESCRIPTION OF FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 67% likelihood that the Fund will achieve the funding target over 20 years.

FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,631 million, were sufficient to meet 154% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £571 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2022 valuation report.

METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	Assumptions used for the 2022 valuation
Discount Rate	4.4% p.a.
Salary increases	3.7% p.a.
Benefit increase assumption (CPI)	2.7% p.a.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

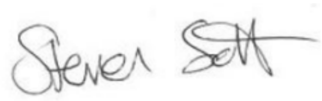
	Males	Females
Current pensioners	22.4 years	24.9 years
Future pensioners*	23.3 years	26.1 years
*Aged 45 at the 2022 Valuation.		

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Steven Scott FFA

22 May 2022 For and on behalf of Hymans Robertson LLP

A copy of the Actuary's full triennial valuation report for 2022 can be obtained from the Tri-Borough Pensions Team, see page 6 for contact details

6. Pension Fund Accounts

Statement of Responsibilities

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer (CFO)) has the responsibility for administration of those affairs;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The CFO is responsible for the preparation of the Council's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the UK (the Code).

In preparing this Statement of Accounts, the CFO has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records that were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

!

I certify that the Statement of Accounts for 2024/25 (set out on pages 26 to 116 and 122 to 145 of the Council's Statement of Accounts) gives a true and fair view of the financial position of the Council as at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.

Mike Curtis
Executive Director of Resources (CFO)
30 September 2025

Independent Auditors Report

Independent auditor's report to the members of Royal Borough of Kensington and Chelsea on the pension fund financial statements of Royal Borough of Kensington and Chelsea Pension Fund.

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements of Royal Borough of Kensington and Chelsea Pension Fund (the 'Pension Fund') administered by Royal Borough of Kensington and Chelsea (the 'Authority') for the year ended 31 March 2025, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2024/25.

In our opinion, the financial statements:

• give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and

•have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the Executive Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources' with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS REQUIRED BY THE CODE OF AUDIT PRACTICE

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Code of Audit Practice, we are required to report to you if:

•we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

•we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

•we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

•we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

•we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

RESPONSIBILITIES OF THE AUTHORITY AND THE EXECUTIVE DIRECTOR OF RESOURCES

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below: We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Audit and Accountability Act 2024 and the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and the Local Government Pension

Scheme (Management and Investment of Funds) Regulations 2016). We enquired of management and the Audit and Transparency Committee, concerning the Authority's policies and procedures relating to:

• the identification, evaluation and compliance with laws and regulations;

• the detection and response to the risks of fraud; and

• the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Transparency Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of. We determined that the principal risks were in relation to:

• journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and

•potential management bias in determining accounting estimates and judgements made in respect of the valuation of investment assets.

Our audit procedures involved:

•evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;

•journal entry testing, with a focus on entries meeting the criteria determined by the audit team;

•challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of level 3 investments, including direct property investments, and the actuarial present value of promised retirement benefits per IAS 26; and

•assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it. We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

•understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

•knowledge of the local government pensions sector

•understanding of the legal and regulatory requirements specific to the Pension Fund including:

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

•the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

•the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Dean

Matthew Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

6 November 2025

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2023/24		Notes	2024/25
£'000			**£'000**
	Dealings with members, employers and others directly involved in the fund		
(23,020)	Contributions	7	(24,552)
(11,780)	Individual transfers in from other pension funds		(13,988)
(34,800)			(38,540)
40,973	Benefits	8	46,071
11,058	Individual Transfers Out to Other Pension Funds		9,883
321	Payments in respect of tax		9
23	Refunds to Members Leaving Service		131
52,375			526,094
17,575	Net (Additions)/Withdrawals from Dealings with Members		17,554
6,530	Management Expenses	9	7,539
24,105	Net additions/withdrawals including fund management expenses		25,093
	Returns on Investments		
(10,675)	Investment income	10	(17,552)
(403)	Other Investment Income		(591)
(239,729)	Profit and Loss on disposal of investments and change in the market value of investments	11	(22,434)
(250,807)	Net return on investments		(40,577)
(226,702)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(15,484)
(1,583,866)	Opening Net Assets of the Scheme		(1,810,568)
(1,810,568)	Closing Net Assets of the Scheme		(1,826,052)

NET ASSET STATEMENT

2023/24		Notes	2024/25
£'000			**£'000**
1,803,867	Investment assets	12	1,821,561
0	Investment Liabilities		0
1,803,867	Total net investments		**1,821,561**
11,106	Current assets	21	10,055
(4,335)	Current liabilities	22	(5,494)
(70)	Long term liabilities		(70)
1,810,568	Net Assets of the Fund Available to Fund Benefits at the Period End		**1,826,052**

The disclosure notes set out in the statement of accounts form part of the financial statements

Notes 1 Description of Kensington and Chelsea Pension Fund

a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by The Royal Borough of Kensington and Chelsea. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of The Royal Borough of Kensington and Chelsea and the admitted and scheduled bodies in the Fund.

These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement.

The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. The benefits payable in respect of service prior to 1st April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

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

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

b) Membership

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

- Scheduled bodies, these are statutorily defined bodies listed within the LGPS Regulations, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, these are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	2023/24	2024/25
Active members	4,080	3,981
Pensioners receiving benefits	3,717	3,941
Deferred pensioners*	5,6661	5,443
Total	**13,458**	**13,365**

* In 2024/25, there were an additional 641 leavers (233 in 2023/24) who had not yet decided whether to defer their pension or to obtain a refund.

c) Funding

The Fund is financed by employee and employer contributions and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on the triennial actuarial funding valuation (see note 20) and the current contribution rates range from 7.5% to 23.9% of pensionable pay.

Note 1 Description of Kensington and Chelsea Pension Fund (continued)

d) Benefits

These benefits include retirement pensions, early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final pensionable pay and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

e) Governance

Investment Committee

The Council has delegated the investment arrangements of the scheme to the Investment Committee (the Committee), which decides on the investment policy most suitable to meet the liabilities of the Fund and has ultimate responsibility for the investment policy.

The Committee is made up of six elected representatives of the Council, including two opposition party representatives, each of whom has voting rights. In addition, there are up to six co-opted members who may attend committee meetings, but have no voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Executive Director of Resources, and as necessary, from the Fund's appointed investment advisers, managers and actuary.

Pension Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets at least twice a year and has its own Terms of Reference. Board members are independent of the Investment Committee

f) Investment Policy

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy on 1 November 2023 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Committee has delegated the management of the Fund's investments to seven professional investment managers (see Note 12) appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

Northern Trust act as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions.

Note 2 Basis of preparation of financial statements

The Statement of Accounts summarises the Fund's transactions for 2024/25 and its position at the year-end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) issued by CIPFA which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Council has opted to disclose this information in a note to the accounts (note 20).

Going Concern

The LGPS is a statutory, state backed scheme and as at March 2025 was 210% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

The Royal Borough of Kensington and Chelsea Pension Fund remains a statutory open scheme, with a strong covenant from the active employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events.

Note 3 Summary of significant accounting policies

FUND ACCOUNT – REVENUE RECOGNITION

a) Contribution Income

Members' contributions are set by the UK Government through LGPS regulations, while employer contributions are accounted for on an accruals basis in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in and out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend.

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

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

Rental income is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset.

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

FUND ACCOUNT – EXPENSE ITEMS

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due, but unpaid, are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is an exempt approved fund under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Note 3 Summary of significant accounting policies (continued)

f) Management Expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Costs 2016".

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

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

The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

All investment management expenses are accounted for on an accruals basis. The Investment Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee on the market value of the investments they manage and/or a fee based on performance.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

NET ASSETS STATEMENT

g) Financial Assets

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

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16).

h) Freehold and leasehold property

Properties are valued annually as at the year-end date by independent external valuers, Sanderson Weatherall LLP, on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Red Book Valuation Standards; see Note 16 for more details

i) Foreign Currency Transactions

Where appropriate, market values, cash deposits and purchases and sales outstanding listed in overseas currencies are converted into sterling at the rates of exchange ruling at the reporting date.

j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions that are repayable on demand without penalty.

k) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed by the scheme actuary in accordance with the requirements of IAS26 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits in Note 20.

m) Additional Voluntary Contributions

Members of the Fund may choose to make Additional Voluntary Contributions (AVCs) into a separate scheme run by Prudential Assurance in order to obtain additional pensions benefits. The company is responsible for providing the investors with an annual statement showing their holding and movements in the year. AVCs are not included within the accounts in accordance with Regulation 4 (2)(b) of the LGPS (Management and Investment of Funds) Regulations 2016. They are disclosed in Note 23.

Notes 4 to 6

NOTE 4 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.
The items in the Net Asset Statement at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. Present Value of Promised Retirement Benefits comprise of £984 million as at 31 March 2025, (2023/24: £1,124 million). The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.	The effects on the net pension liability of changes in assumptions can be measured. For instance, - a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £17 million. - a one-year increase in assumed life expectancy would increase the liability by approximately £39 million. - a 0.1% increase in assumed earnings would increase the liabilities by approximately £1 million. - a 0.1% increase in the rate of CPI would increase the pension liability by £16m
Unquoted Private Equity Investments	The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgments involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards.	There is a risk that these investments, totalling £132.0m (£131.0 million on 31 March 2024), may be under or overstated in the accounts. If these assets are under or over valued by 9.0%, this would affect the overall value of the fund by £11.9 million
Pension Fund Liability	The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS19.	These assumptions are summarised in note 20. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.
Property Investments	As at the date of valuation and at the time this report was drafted, there are several negative factors recognised as influencing real estate markets. These include: - Global activity -The wider global economy continues to face challenges that cumulatively contribute to cost inflation, interest rate changes and consumer confidence thereby resulting in a more volatile transactional market. Issues in the banking and financial services sectors may prove to exacerbate an already volatile situation.	The Fund's property acquisitions are carefully selected based on location and sector, ensuring diversification and investment in high quality commercial property. Significant changes in any of the unobservable inputs would result in a significant change in the fair value measurement for the properties. The carrying value as at 31 March 2025 of the directly held property investments was £235 million. It is estimated that a change in valuation of the order of 9.56 would be likely to be considered material to the Fund's accounts.
Virgin Media Case	The Fund is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case, the judge ruled that alterations to the scheme rules were void and ineffective due to the absence of this written actuarial confirmation. The case was taken to the Court of Appeal, and the original ruling was upheld in July 2024. As a result, there may be a further liability to the Employer's share of the Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid. The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes (LGPS).	Their most recent bulletin in November 2024 states that HM Treasury does not believe the Virgin Media case expressly addresses whether confirmation is required for public service pension schemes. Their view is that the relevant amendments in the LGPS would have been made by legislation and therefore would remain valid until revoked or repealed by subsequent legislation or declared void by a court. At this point, it is therefore not possible to estimate the potential impact, if any, on Pension Fund. On 2nd September 2025, the Government published amendments to the Pension Schemes Bill to allow the retrospective validation of amendments which may have otherwise been invalid, this followed the Court of Appeal's decision in the Virgin Media case.

NOTE 5 - EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred subsequent to the balance sheet date that require adjustment to, or disclosure in, the financial statements

NOTE 6 - ACCOUNTING STANDARDS NOT YET ADOPTED

At the Balance Sheet date, there were no new standards or amendments yet to be adopted by the Code of Practice on Local Authority Accounting in the United Kingdom which affected the Pension Fund.

Note 7 Contributions receivable

BY CATEGORY

2023/24		2024/25
£'000		£'000
(10,484)	Employees' normal contributions	(11,300)
	Employer's contributions:	
(11,962)	Normal contributions	(13,027)
(574)	Augmentation contributions	(225)
(12,536)	Total employers' contributions	(13,252)
(23,020)	**Total**	**(24,552)**

BY AUTHORITY

2023/24		2024/25
£'000		£'000
(20,016)	Administering Authority	(20,930)
(2,889)	Scheduled bodies	(3,525)
(115)	Admitted bodies	(97)
(23,020)		**(24,552)**

Note 8 Benefits Payable

BY CATEGORY

2023/24		2024/25
£'000		£'000
34,288	Pensions	37,953
5,826	Commutation and lump sum retirement benefits	7,012
859	Lump sum death benefits	1,106
40,973	**Total**	**46,071**

The Fund paid benefits to members who were previously employed by the bodies set out below.

BY AUTHORITY

2023/24		2024/25
£'000		£'000
36,573	Administering Authority	41,139
1,212	Scheduled Bodies	1,289
3,188	Admitted Bodies	3,643
40,973		**46,071**

Note 9 Management expenses

2023/24		2024/25
£'000		£'000
1,136	Administration Expenses	1,421
	Investment Management expenses	
4,333	Management fees	4,553
423	Transaction costs	704
39	Custody fees	42
54	Performance fees	223
545	Oversight and Governance	596
6,530	**Total**	**7,539**

All fund managers have signed up to the LGPS Scheme Advisory Board's LGPS Code of Transparency. This ensures fee transparency and consistency across the LGPS.

The table below details the management expenses for the 2024/25 and 2023/24 period. In accordance with Code 6.5.5.1 (v), which recommends a breakdown "such as" by investment type, the Fund has previously complied by categorising expenses by management cost. For the current year, the Fund has enhanced its disclosure to include a breakdown by investment asset type.

Investment Type	Management Fee	Performance Related Fees	Transaction Costs	Total
2024/25	**£'000**	**£'000**	**£'000**	**£'000**
Equities	0	0	0	0
Pooled Investments	1,802	0	683	2,485
Pooled Property Investments	536	1	16	553
Private Equity	1,295	222	5	1,522
Direct Property	881	0	0	881
Index Linked Gilts	0	0	0	0
Other	39	0	0	39
Subtotal	4,553	223	704	5,480
Custody Fees	42	0	0	42
Total	**4,595**	**223**	**704**	**5,522**

Investment Type	Management Fee	Performance Related Fees	Transaction Costs	Total
2023/24	**£'000**	**£'000**	**£'000**	**£'000**
Equities	0			
Pooled Investments	1,770		401	2,171
Pooled Property Investments	352		17	369
Private Equity	1,497	54	4	1,555
Direct Property	984			684
Index Linked Gilts	0			0
Other	30			30
Subtotal	4,333	54	423	4,810
Custody Fees	39			39
Total	**4,372**			**4,849**

Note 10 Investment income

2023/24		2024/25
£'000		
(227)	Index-Linked Gilts	(286)
(0)	Equity Dividends	0
(710)	Pooled property investments	(670)
0	Private equity	(24)
(8,722)	Rental income	(13,974)
(1,016)	Interest on cash deposits	(2,604)
(10,675)	Total	(17,552)
0	Taxes on income	0
(10,675)	**Total**	**(17,552)**

Note 11 Movements in investments

2024/25	1 April 2024	Purchases	Sales	Change in market value	31 March 2025
	£'000	£'000	£'000	£'000	£'000
Equities	150	0	0	0	150
Pooled Investments	1,313,957		(1,050)	36,609	1,349,517
Pooled Property Investments	14,778		(4,933)	41	9,886
Private Equity	131,071	15,842	(17,595)	2,401	131,720
Directly Managed	167,135	72,017		(3,777)	235,375
Index Linked Gilts	83,490	0		(12,820)	70,670
Sub total	1,710,581	87,859	(23,578)	22,455	1,797,317
Investment income due	661				328
Amounts receivable for sales of investments	0				
Spot FX contracts	0			1	
Cash deposits	92,624			(23)	23,916
Amounts Payable for purchases of investments	0				
Net investment assets	1,803,867	**87,859**		**22,433**	**1,821,561**

Note 11 Movement in Investments (continued)

2023/24	1 April 2023	Purchases	Sales	Change in market value	31 March 2024
	£'000	£'000	£'000	£'000	£'000
Equities	150	0	0	0	150
Pooled Investments	1,307,872	25,013	(267,950)	249,022	1,313,957
Pooled Property Investments	18,700	0	(3,246)	(676)	14,778
Private Equity	124,007	14,744	(8,767)	1,067	131,071
Directly Managed	126,180	46,744	(0)	(5,789)	167,135
Index Linked Gilts	0	87,371	(0)	(3,881)	83,490
Sub total	1,576,909	173,872	(279,943)	239,743	1,710,581
Investment income due	295				661
Amounts receivable for sales of investments				0	0
Spot FX contracts				(4)	0
Cash deposits	1,304			(10)	92,624
Amounts Payable for purchases of investments				0	0
Net investment assets	**1,578,508**	173,872	(279,943)	239,729	1,803,867

Note 12 Investments by Fund Manager

31 March 2024 Market Value	%	Fund Manager	31 March 2025 Market Value	%
£'000			£'000	
916,002	50.8	BlackRock	963,233	52.9
397,956	22.1	Baillie Gifford	386,293	21.2
131,071	7.3	Adams Street	132,544	7.3
167,135	9.3	Directly Managed	235,375	12.9
8,398	0.5	KAMES	7,958	0.4
6,380	0.4	CBRE	1,928	0.1
150	0.0	London CIV	150	0.0
83,490	4.6	Index-Linked Gilts	70,713	3.9
1,576,911		Total held by Fund Managers	1,798,193	
93,285	5.2	Cash held at Custody	23,368	1.3
1,803,868	**100**	**Total Investments**	**1,821,561**	**100**

Note 13 Investments exceeding 5%

31 March 2024 Market Value		Holding	31 March 2025 Market Value	
£'000	**%**		**£'000**	**%**
916,002	50.6	Aquila Life RBKC Global Equities	963,233	52.8
397,956	22.0	Baillie Gifford Global Alpha Growth Fund C	386,293	21.2
167,135	9.2	Directly Managed Property	235,375	12.9
93,285	5.2%	Cash held at custody		
1,574,378	87.0	Total Top Holdings	1,584,901	86.9
1,803,868		**Total Value of Investments**	**1,821,561**	

Although several investments by Fund Manager exceed 5% of the Fund's value, all of the allocations to pooled funds are made up of underlying investments and each of these represents substantially less than 5%.

As at 31 March 2024 cash held at custody exceeded 5% of net assets and was therefore included in last year's notes but not this year's.

Note 14 Investment Property

	31 March 2024	31 March 2025
	£'000	£'000
Opening Balance	126,180	167,135
Purchases	46,744	72,017
Disposals	0	0
Net increase/ (decrease) in market value	(5,789)	(3,777)
Total	**167,135**	**235,375**

The future minimum lease payments are as follows:

	31 March 2024	31 March 2025
	£'000	£'000
Within one year	10,790	12,670
Between one and five years	42,906	46,491
Later than five years	65,926	68,475
Total	**119,622**	**127,636**

Direct Property Income and Expenses	2023/24	2024/25
	£'000	£'000
Rental income from investment properties	(8,722)	(13,974)
Direct operating expenses	538	831
Net income from Investment properties	**(8,184)**	**(13,142)**

Rental income includes all income investment properties held to earn rentals or for capital appreciation, as defined by IAS 40. Direct operating expenses include costs directly attributable to the operation and maintenance of investment properties, such as repairs, maintenance and property management fees. Rental income is recorded under "Investment Income" in the Fund Account, and direct operating expenses are included under "Investment Management Expenses". Investment properties are valued at fair value per IFRS 13, with changes recognised under " Profit and losses on disposal of investments and changes in market value of investments”.

As at 31 March 2025, the Fund faces no restrictions on the realisability of its investment properties or on the remittance of related income and disposal proceeds. Additionally, the Fund has no contractual obligations to purchase, construct, or develop investment properties, or to undertake repairs, maintenance, or enhancements.

Note 15 Classification of Financial Instruments

Financial liabilities (creditors) at amortised cost totalled £4.815 million (£4.354 million at 31 March 2024). There were none designated as fair value through profit and loss (FVPL) as at 31 March 2025 or 31 March 2024.

The following table shows the classification of the Fund's financial assets, split between UK and overseas. All investments are quoted unless otherwise stated. The carrying value is the same as the fair value for all financial instruments held by the Fund.

Financial assets at 31 March 2024	Designated as fair value through profit and loss	Amortised Cost	Total	Financial assets at 31 March 2025	Designated as fair value through profit and loss	Amortised Cost	Total
	£'000	£'000	£'000		£'000	£'000	£'000
- UK quoted	83,490	-	83,490	- UK quoted	70,670	-	70,670
- UK unquoted	150	-	150	- UK unquoted	150	-	150
- Overseas	-		-	- Overseas	-		-
Sub-total	**83,640**	**-**	**83,640**	**Sub-total**	**70,820**	**-**	**70,820**
Pooled funds - investment vehicles				Pooled funds - investment vehicles			
-UK pooled liquidity fund	0	-	0	-UK pooled liquidity fund	0	-	0
-Pooled global equities	1,313,958	-	1,313,958	-Pooled global equities	1,349,517	-	1,349,517
-Pooled property investments	14,777	-	14,777	-Pooled property investments	9,886	-	9,886
-Pooled private equity funds (unquoted)	131,071	-	131,071	-Pooled private equity funds (unquoted)	131,720	-	131,720
-Investment income due	661	-	661	-Investment income due	328	-	328
-Cash with investment managers	92,624		92,624	-Cash with investment managers	23,916		23,916
-Cash with administering authority		6,810	6,810	-Cash with administering authority		5,087	5,087
-Debtors		4,297	4,297	-Debtors		4,663	4,663
Total financial assets	**1,636,730**	**11,107**	**1,647,838**	**Total financial assets**	**1,586,187**	**9,750**	**1,595,937**

Note 16 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. The definitions of the levels are detailed below and the table showing the analysis is opposite.

Level 1 – Quoted market price

Fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 – Using observable inputs

Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

The observable inputs to the Pooled Funds that are valued in this way are the evaluated price feeds, with the exception of property which is in house evaluation of market data.

Level 3 – With significant unobservable inputs

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, for example, private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken annually at the end of December and cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Independent property valuers, Sanderson Weatherall, undertook the annual valuation of directly held property, in accordance with the current RICS Valuation Global Standards, (the RICS Red Book) on the basis of Fair Value.

2024/25	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets				
-at fair value through profit and loss	94,914	1,359,402	131,870	1,586,186
Total Financial Assets	**94,914**	**1,359,402**	**131,870**	**1,586,186**
Non-financial assets				
-at fair value through profit and loss	-	-	235,375	235,375
Total non-financial assets	94,914	**1,359,402**	**367,245**	**1,821,561**
Financial liabilities				
-at fair value through profit and loss	-	-	-	-
Total financial liabilities	-	-	-	-
Net financial assets	94,914	**1,359,402**	**367,245**	**1,821,561**

2023/24	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets				
-at fair value through profit and loss	176,775	1,328,734	131,221	1,636,730
Total Financial Assets	176,775	**1,328,734**	**131,221**	**1,636,730**
Non-financial assets				
-at fair value through profit and loss	-	-	167,135	167,135
Total non-financial assets	176,775	**1,328,734**	**298,356**	**1,803,865**
Financial liabilities				
-at fair value through profit and loss	-	-	-	-
Total financial liabilities	-	-	-	-
Net financial assets	176,775	**1,328,734**	**298,356**	**1,803,865**

Note 16 continued

Reconciliation of Movements in Level 3

	MV 31 March 2024	Purchases	Sales	Change in MV	MV 31 March 2025
	£'000	£'000	£'000	£'000	£'000
London LGPS CIV	150	-	-	-	150
Overseas Venture Capital	131,071	15,842	(17,595)	2,401	131,720
Directly held property	167,135	72,017	0	(3,777)	235,375
Total	**298,356**	**87,859**	**(17,595)**	**(1,376)**	**367,245**

	MV 31 March 2023	Purchases	Sales	Change in MV	MV 31 March 2024
	£'000	£'000	£'000	£'000	£'000
London LGPS CIV	150	-	-	-	150
Overseas Venture Capital	124,007	14,744	(8,747)	1,067	131,071
Directly held property	126,180	46,744	0	(5,789)	167,135
Total	**250,337**	**61,488**	**(8,747)**	**(4,722)**	**298,356**

Sensitivity of Assets at Level 3

	Valuation Range	Value 31 March	Value on increase	Value on Decrease
	%	£'000	£'000	£'000
Overseas Venture Capital	9.0	131,720	143,575	119,865
Direct Property	10.3	235,375	259,619	211,131
Total		367,095	403,194	330,996

If the Valuation of the underlying companies within the private equity portfolio was out by 9.0% this would alter the value of the Fund's investment assets in this class by £11.9 million. For the private equity movement to be considered material, the valuation would have to change by 17.0%.

Description of asset	Valuation hierarchy 2024/25	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Bonds	Level 1	Valued using quoted average prices + inflation indices to adjust to value of principal and interest payment in line with inflation	Market value and inflation indices	Not required
Pooled Global Equity Investments	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Pooled Property Funds	Level 2	The Pension Fund's Property Funds are priced on a Single Swinging Price.	In house evaluation of market data	Not required
Private Equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue Multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Directly managed property	Level 3	Independent valuations conducted by external RICS valuer	Rental values, yields, vacancy rates	Valuations can be impacted by global events outside of the property area.

Note 17 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 and will be unable to pay pensions due. The Fund's liabilities are sensitive to inflation via pension and pay increases, to interest rates and to mortality rates.

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.

Responsibility for the Fund's investment strategy rests with the Committee and is reviewed on a regular basis, along with the Pension Fund Risk Register.

The Fund had achieved fully funded status by the 2016 valuation, and this has been maintained as at the 2022 valuation.

a) 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 level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

Price risk

Price risk arises from the potential for the value of financial instruments to 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 price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets with the exception of cash, unquoted equities, debtors and creditors are exposed to price risk. The value of the assets exposed to price movements along with what the value would have been if prices had been higher or lower in accordance with a single spread of variance for the relevant asset class is shown below.

Assets exposed to price risk	Value	Volatility	Value on price increase	Value on price decrease
	£'000	%	£'000	£'000
Equity	1,349,516	13.3	1,528,968	1,170,064
Private Equity	131,720	9.0	143,575	119,865
Property	245,261	10.3	270,492	220,029
Index-Linked Gilts	70,670	17.9	83,286	58,055
Total Assets	1,797,167		2,026,321	1,568,013

Assets exposed to price risk	Value	Value on price increase	Value on price decrease
	£'000	£'000	£'000
At 31 March 2025	1,797,167	2,026,321	1,568,013
At 31 March 2024	1,710,430	1,937,566	1,483,294

Note 17 Nature and extent of risks arising from Financial Instruments (continued)

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash 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 Committee 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.

Elements of the pooled investment vehicles (e.g. fixed interest securities and cash) are exposed to interest rate risk. The value of the assets exposed to interest rate movements along with sensitivity analysis is presented below. The table demonstrates the movement in asset value if the interest rate increased or decreased by 2%, used as a prudent value based on historical Bank of England rate movements and inflation target.

Assets exposed to interest rate risk	Value	Value on 1% price increase	Value on 1% price decrease
	£'000	£'000	£'000
As at 31 March 2025	94,038	95,919	92,157
As at 31 March 2024	176,775	180,311	173,240

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 pounds sterling.

Overseas equities, overseas index linked securities, cash in foreign currencies, and some elements of the pooled investment vehicles are exposed to currency risk. The table below shows the value of these assets at the Balance Sheet date and what the value would have been, in accordance with volatility advised by an external consultant.

Assets exposed to currency risk	Volatility	Value	Value on increase	Value on decrease
	%	£'000	£'000	£'000
US Dollar	8.3	706,532	765,522	647,542
North America Basket	8.2	240,660	260,298	221,023
EURO	4.2	78,850	82,198	75,502
Europe ex UK Basket	4.0	64,125	66,693	61,557
Emerging Basket	5.4	51,763	54,554	48,972
Japanese Yen	9.0	50,176	54,689	45,662
Canadian Dollar	5.0	28,982	30,439	27,526
Asia Pac Basket	5.2	23,950	25,185	22,716
Swiss Franc	5.6	23,113	24,396	21,829
Australian Dollar	6.3	15,926	16,932	14,920
Swedish Krona	7.3	7,693	8,254	7,132
Danish Krone	4.2	6,533	6,810	6,256
Hong Kong Dollar	8.2	4,342	4,696	3,988
Singapore Dollar	4.5	3,164	3,308	3,020
Norwegian Krone	9.4	1,385	1,515	1,256
Israeli Shekel	10.1	1,179	1,297	1,060
New Zealand Dollar	7.5	421	452	389
As 31 March 2024		1,308,794	1,407,238	1,210,350
As 31 March 2023		**1,396,390**	**1,500,770**	**1,292,009**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur.

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings and majority of its assets are liquid assets. The only assets in the Fund which cannot be liquidated within a month are the private equity assets.

NOTE 18 CONTRACTUAL COMMITMENTS

As at 31 December 2024, the Fund had outstanding commitments of $91.8m / £71.1m (31 December 2023: $80.5m / £63.3m) to a variety of Adams Street private equity funds. It is anticipated that these commitments will be spread over the next ten years and will be largely offset by cash distributions from the investments made since 2007.

Note 19 Funding Arrangements

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Fund can meet its liabilities to past and present contributors and to review employer contribution rates.

The last such valuation for the Fund was carried out by Hymans Robertson as at 31 March 2022, in accordance with the Funding Strategy Statement of the Fund and Regulation 62 of the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report which can be found on the Council's website. This valuation set the contribution rates for the period 1 April 2023 to 31 March 2026. For the purposes of these accounts, details and assumptions relate to the 2022 valuation, which has determined the contribution rates for 2024/25.

The funding policy is set out in the Funding Strategy Statement. The key elements of the funding policy are to:

- Set levels of employer contribution that will build up a Fund of assets that will be sufficient to meet all future benefit payments from the Fund, and
- Build up the required assets in such a way that employer contribution rates are kept as low and as stable as possible.

During 2024/25 the common contribution rate was 15.0% of pensionable pay to be paid by each employing body participating in the Fund. In addition, each employing body must pay an individual adjustment to reflect its own 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 actuarial valuation, done using the projected unit method, is based on financial and statistical assumptions, the main ones being:

Financial Assumptions	March 2019 %	March 2022 %
Consumer Price Index	2.6	2.7
Salary increases	3.6	3.7
Pension Increases	2.6	2.7
Discount rate	4.3	4.4

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the actuarial present value of promised retirement benefits are based on the updated full valuation of the scheme as at 31 March 2022. Other assumptions:

- Commutation – an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits
- 50/50 scheme allowances – it is assumed that 5% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
- Mortality projections – long term rate of improvement of 1.25% per annum

The actuary's smoothed market value of the scheme's assets at 31 March 2022 was £1,631 million and the actuary assessed the present value of the funded obligation at £1,060 million. This indicates a net surplus of £571 million, which equates to a funding position of 154% (2019: £236m and 125%).

Note 20 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net asset of the Fund as at 31 March 2025. The figures have been prepared by the Fund's actuary, only for the purposes of providing the information required by IAS 26 (Accounting and Reporting by Retirement Benefit Plans). In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the below net asset, the actuary adopted methods and assumptions that are consistent with IAS 19. In conducting the 2022 actuarial valuation referred to in Note 19, the Actuary will take into account the investment policy when determining the assumptions to be used.

31 March 2024		31 March 2025
£m		£m
(1,124)	Present Value of Promised Retirement Benefits	(984)
1,804	Fair Value of scheme assets (bid value)	1,822
680	**Net Liability**	**838**

FINANCIAL ASSUMPTIONS

	31 March 2024 %	31 March 2025 %
Consumer Price Index (CPI) increases	2.75	2.75
Salary increases	3.75	3.75
Pension increases	3.75	3.75
Discount rate	4.85	5.80

DEMOGRAPHIC ASSUMPTIONS

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

Life expectancy from age 65 years		31 March 2024	31 March 2025
Retiring today	Males	21.9	21.9
	Females	24.5	24.5
Retiring in 20 years	Males	22.8	22.7
	Females	25.7	25.6

OTHER ASSUMPTIONS

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits

Note 21 Current Assets

31 March 2024		31 March 2025
£'000		£'000
	Debtors:	
1,485	Contributions due - employers	210
821	Contributions due - employees	82194
1,912	Sundry debtors	1,9124,663
79	Prepayments	0
4,297	Sub-total	4,967
6,810	Cash balances	5,087
11,106	**Total**	**10,054**

ANALYSIS OF DEBTORS

31 March 2024		31 March 2025
£'000		£'000
1,650	Administering Authority	351
2,647	Other entities and individuals	4,616
4,297	**Total**	**4,967**

Note 22 Current Liabilities

31 March 2024		31 March 2025
£'000		£'000
	Creditors:	
(51)	Benefits payable	(749)
(4,284)	Sundry creditors	(4,745)
(4,335)	Sub-total	(5,494)
0	Cash overdrawn	0
(4,335)	**Total**	**(5,494)**

ANALYSIS OF CREDITORS

31 March 2024		31 March 2025
£'000		£'000
(542)	Central Government Bodies	(679)
(750)	Other entities and individuals	(767)
(3.043)	Administering Authority	(4,048)
(0)	Other local authorities	(0)
(4,335)	**Total**	**(5,494)**

Notes 23 to 27

NOTE 23 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Council has arranged for current members to make additional payments through its payroll into a variety of funds operated by Prudential Assurance according to individuals' preferences. These funds are invested in equities, bonds, property and cash. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended, do not permit AVC to be paid into the Fund, so they are not included in these accounts.

During 2024/25 AVCs of £0.614 million were paid to the provider, Prudential, (£0.410 million in 2023/24). The market value of these funds at 31 March 2025 was £4.468 million (£4.296 million at 31 March 2024).

NOTE 24 RELATED PARTY TRANSACTIONS

The Fund is administered by RBKC who also provide the pension administration services. The Council also has a shared service arrangement with Westminster City Council for oversight and governance services. Costs incurred and reimbursed for RBKC Council and Westminster City Council totalled £1.420 million and £0.105 million respectively in the financial year 2024/25 (£1.130 million and £0.104 million respectively in 2023/24).

In year, and in total, the Council contributed £9.345 million to the Fund compared to £8.623 million in 2023/24. As at 31 March 2025 the Council owed the Pension Fund £0.351 million (£1.650 million at 31 March 2024).

NOTE 25 KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the Members of the Committee, the Executive Director of Resources and the Tri-Borough Director of Pensions and Treasury. During the year, £0.041 million (£0.046 million in 2023/24) was payable to key management personnel in respect of short-term benefits. Total remuneration payable to key management personnel from the Pension Fund is set out in the table:

31 March 2024		31 March 2025
£'000		£'000
46	Short-term benefits	41
9	Post-employment benefits	(13)
55	**Total**	**28**

NOTE 26 AGENCY SERVICES

The Fund pays discretionary awards to the former employees of the Council. The amounts are not included within the Fund Account as they are not expenses or income related to the Pension Fund but are provided as a service and fully reclaimed from the Council. During 2024/25, the Fund paid the gross sum of £0.233 million (£0.228 million in 2023/24) on behalf of RBKC.

NOTE 26 EXTERNAL AUDIT COSTS

The proposed external audit fee payable to the Fund's external auditors, Grant Thornton UK LLP, is £101,962 for 2024/25 (£0.094 million for 2023/24).

NOTE 27 CONTINGENT LIABILITIES

The Pension Fund had no contingent liabilities for 2024/25.

7. Glossary

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the Authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code of Accounting Practice for Local Authorities, see "The Code" below.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED MEMBERS

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

DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (eg shares) or a contractual right to receive cash or another asset from another entity (eg debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (eg derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (eg creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (eg derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and the accrued benefits for members in service on the valuation date.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they ‘present fairly’ the financial position of the Council. The Code has statutory status via the provisions of the Local Government Act 2003.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

8. Appendices

Appendix 1 - Governance Compliance Statement

BACKGROUND

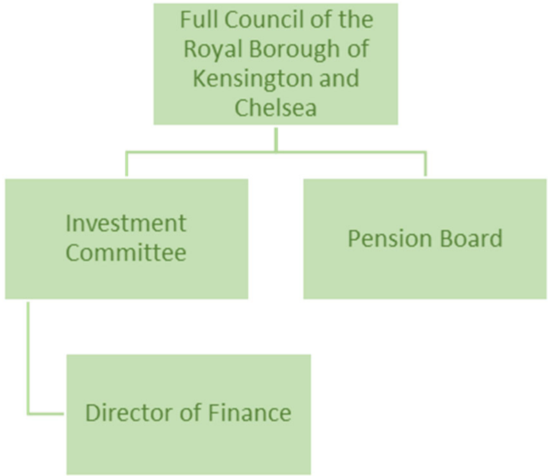
The Royal Borough of Kensington and Chelsea is the administering authority for the Royal Borough of Kensington and Chelsea Pension Fund ("the Fund") and it administers the Local Government Pension Scheme on behalf of the participating employers.

Regulation 55 of the Local Government Pension Scheme regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. Information on the extent of the Fund's compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

GOVERNANCE STRUCTURE

The Full Council has delegated its functions in relation to the Pension Fund regulations, as shown in the diagram. The sections below explain the role of each party and provide the terms of reference.

The diagram below shows the governance structure in place for the Fund.



NB: The Town Clerk carried out the role of section 151 officer up to March 2017. Since then s151 responsibilities, and hence the Town Clerk's role in pension fund governance and administration, have been carried out by the Executive Director of Resources

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Investment Committee. The role of the Investment Committee is to take responsibility for all aspects of the investment and other management activity of the Fund.

The Committee is made up of six elected members - four administration councillors and two opposition councillors. The Chairman is appointed by the Full Council. There are also five co-opted non-voting independent members to provide additional advice to the Committee.

All Councillors on the Committee have voting rights. In the event of an equality of votes, the Chairman shall have a second casting vote. Where the Chairman is not in attendance, the Vice-Chairman has the casting vote.

The Committee meets four times a year and may convene additional meetings as required. Three members of the Committee are required to attend for a meeting to be quorate.

The terms of reference for the Committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of officers and that of any investment advisers.
2. To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Actuary, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.

5. To approve the final statement of accounts of the Pension Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review admission policies relating to admission agreements with admission bodies where there is not an automatic transfer under TUPE regulations.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To receive and consider the Auditor's report on the governance of the Pension Fund.
11. To determine any other investment or pension fund policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies.

PENSIONS BOARD

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pensions Board to assist them. The Royal Borough of Kensington and Chelsea Pensions Board was established by full Council on 4 March 2015.

The role of the Pensions Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision making role in relation to management of the Fund, but is able to make recommendations to the Investment Committee. The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council;
- Three scheme members representatives from the Council or an admitted or scheduled body; one union representative, one deferred / retired member and one active member.

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year.

COMPLIANCE WITH STATUTORY GUIDANCE

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in the pages below.

REVIEW OF STATEMENT

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

Governance Compliance Statement (continued)

Appendix to Governance Compliance Statement

Compliance Requirement	Compliance	Notes
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.	Compliant	As set out in terms of reference of the Investment Committee and the Administration Committee.
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.	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Investment Committee
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	Not applicable	All Pension Fund matters are considered by the Investment Committee
Committee membership and 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, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an *ad hoc* basis).	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Investment Committee. Expert advisers attend the Committee as required
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	Not applicable	All Pension Fund matters are considered by the Investment Committee, on which co-optees are treated in the same way as Members.
Selection and role		
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	Compliant	As set out in terms of reference of the Investment Committee
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	Compliant	This is a standing item on the Investment Committee agendas
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.	Compliant	As set out in terms of reference of the Investment Committee

Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Training, facility time 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	Compliant	As set out in the Council's allowances and training policies.
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	Compliant	As set out in the Council's constitution
Meetings		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Investment Committee
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	Not applicable	All Pension Fund matters are considered by the Investment Committee.
That administering authorities who do 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	Compliant	Represented on the Pensions Board
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	Compliant	As set out in the Council's constitution
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	as set out in terms of reference of the Investment Committee
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	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

Appendix 2 – Royal Borough of Kensington and Chelsea Investment Strategy Statement

1. INTRODUCTION

1.1 This is the Investment Strategy Statement (ISS) adopted by the Royal Borough of Kensington and Chelsea Pension Fund ("the Fund"), which is administered by the Royal Borough of Kensington and Chelsea ("the Administering Authority").

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Fund is required to publish this ISS. The Regulations require administering authorities to outline how they meet each of the six objectives aimed at improving the investment and governance of the Fund.

1.2 This Statement addresses each of the objectives included in the 2016 Regulations:

• A requirement to invest fund money in a wide range of instruments;

• The authority's assessment of the suitability of particular investments and types of investment;

• The authority's approach to risk, including the ways in which risks are to be measured and managed;

• The authority's approach to pooling investments, including the use of collective investment vehicles;

• The authority's policy on how social, environmental and governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

• The authority's policy on the exercise of rights (including voting rights) attaching to investments.

We deal with each of these in turn below.

1.3 The Investment Committee of the Fund oversees the management of the Fund's assets. Although not trustees, the Members of the Investment Committee owe a fiduciary duty similar to that of trustees to the council tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

1.4 The relevant terms of reference for the Committee within the Council's Constitution are:

The Committee's responsibilities are set out in their terms of reference and are to have responsibility for all aspects of the investment and other management activity of the Council's Pension Fund, including, but not limited to, the following matters:

• decide the overall investment strategy and strategic asset allocation of the pension fund, reporting to Council as necessary;

• decide how the Pension Fund is invested and to appoint investment managers, global custodians, actuaries and any other professional independent external advisors necessary for the good stewardship of the Pension Fund;

• monitor performance of the Pension Fund, the individual fund managers and other external advisors;

• authorise the acquisition and sale of investment properties which are or to be held within the direct property portfolio in the Pension Fund;

• prepare, publish and ensure compliance with the ISS, the Funding Strategy Statement (FSS), the Business Plan, the Governance Compliance Statement and the Communications Policy and Practice Statement and revise the statements to reflect any material changes in policy;

• approve policy on environmental, social and governance (ESG) considerations and on the exercise of share voting rights;

• approve any other investment or pension policies that may be required to comply with regulations or good practice in the management of pension funds and to make any decisions in accordance with those policies;

• approve and publish the Pension Fund Annual Report and Accounts, reporting it to Council for information;

• receive actuarial valuations of the Pension Fund regarding the overall funding level and the level of employers' contributions necessary to maintain the Pension Fund and to make recommendations to the Council about the level of contributions required;

• consider any proposed legislative changes in respect of the pension fund and to respond to government consultations;

• receive and consider the external auditor's report on the governance of the pension fund;

• decide on the admission to and cessation of bodies to the pension fund.

The Investment Committee has responsibility for:

• Overall investment strategy and strategic asset allocation with regard to the suitability and diversification of investments;

• Monitoring compliance with this Investment Strategy Statement and reviewing its contents;

• Appointing investment managers, an independent custodian, the Fund actuary, external independent advisers and investment consultants;

• Setting performance benchmarks and reviewing investment manager performance against these benchmarks on a regular basis

• Reviewing the managers' expertise and the quality and sustainability of their investment processes, procedures, risk management, internal controls and key personnel;

• Reviewing policy on environmental, social, governance and ethical matters and on the exercise of rights, including voting rights;

• Reviewing the investments over which they retain control and obtaining advice about them regularly from the Investment Consultant. The Investment Committee will also obtain written advice from the Investment Consultant when deciding whether or not to make any new investments.

The Executive Director for Resources and Assets, along with the Tri-Borough Director, appointed consultants and actuaries to support the Investment Committee. The day-to-day management of the Fund's assets is delegated to investment managers..

1.5 This ISS will be reviewed at least once a year, or more frequently as required, in particular, following valuations, future asset/liability studies and investment performance reviews, which may indicate a need to change investment policy, or significant changes to the FSS.

1.6 Under the previous Regulations, the Investment Strategy Statement was required to state how it complies with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Investment Regulations, this information is given in Appendix A. In addition, Appendix B includes a disclosure of the Fund's policy on how the Investment Committee discharges its stewardship responsibilities.

2. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

2.1 Funding and investment risk are discussed in more detail later in this ISS. However, at this stage it is important to state that the Investment Committee is aware of the risks it runs within the Fund and the consequences of these risks.

2.2 In order to control risk the Investment Committee recognises that the Fund should have an investment strategy that has:

•Exposure to a diverse range of sources of return, such as market, manager skill and through the use of less liquid holdings.

•Diversity in the asset classes used

•Diversity in the approaches to the management of the underlying assets.

2.3 This approach to diversification has seen the Fund dividing its assets into four broad categories: global equities, fixed Income, property and alternatives. The size of the assets invested in each category will vary depending on investment conditions, the strategic asset allocation can be found within appendix C. However, it is important to note that each category is itself diversified. A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

2.4 The main risk that the Investment Committee is concerned with is to ensure the long-term ability of the fund to meet pension, and other benefit obligations, as they fall due is met. As a result, the Investment Committee places a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Investment Committee considers excessive.

At all times, the Investment Committee takes the view that its investment decisions, including those involving diversification, should be in the best long-term interest of Fund beneficiaries and minimise calls on the Council's resources.

2.5 To mitigate these risks the Investment Committee regularly reviews both the performance and expected returns of the Fund's investments to measure whether it has met and is likely to meet in future its return objectives. In addition to keeping its investment strategy and policy under regular review, the Investment Committee will keep this ISS under review to ensure that it reflects the approaches being taken.

Appendix 2 - Investment Strategy Statement (continued)

3. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

3.1 When assessing the suitability of investments, The Royal Borough of Kensington and Chelsea Pension Fund takes into account a number of factors:

- The prospective return;
- Risk;
- Concentration in a particular asset-type;
- Risk management qualities of the asset type and relative to the portfolio as a whole;
- Geographic and currency exposures;

3.2 Suitability is a critical test for whether or not a particular investment should be made.

3.3 Each of the Fund's investments has an individual performance benchmark against which reported performance is measured.

3.3 The Investment Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end it monitors the investment returns and the volatility of the individual investments, together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available, the Investment Committee will also compare the Fund asset performance with those of similar funds.

3.4 The Investment Committee relies on external advice in relation to the collation of the statistics for review.

4. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

4.1 The Investment Committee recognises that there are a number of risks involved in the investment of the assets of the Fund, amongst which are the following:

4.2 Geopolitical and currency risks:

- are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and

- are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4.3 Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and

- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

4.4 Solvency and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and

- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

4.5 Liquidity risk:

- is measured by the level of cash flow required over a specified period; and

- is managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy.

4.6 Custodial risk:

- is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

4.7 Employer contributions are based upon financial and demographic assumptions determined by the actuary. The main risks to the Fund are highlighted within the Funding Strategy Statement. The risks to the Fund are controlled in the following ways:

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach, while permitting the flexibility for managers to enhance returns.

- The appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk.

4.8 The investment management agreements (IMA) constrain the managers' actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

Appendix 2 - Investment Strategy Statement (continued)

4.9 The Investment Committee is aware that investment risk is only one aspect of the risks facing the Fund. The other key risk they are aware of is the ability of the Fund to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment returns) and underwrite actuarial risk, namely the volatility in the actuarial funding position and the impact that this has on contributions.

4.10 The Fund and the Investment Committee are of the view that the diversification of the Fund's assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy, the Investment Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate.

4.11 Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets, it is much more difficult. The Investment Committee is also mindful that correlations change over time and, at times of stress, can be significantly different from when they are in more benign market conditions.

4.11 To help manage risk, the Investment Committee uses an external investment adviser to monitor the risk. In addition, when carrying out their investment strategy review, the Investment Committee also have different investment advisers assessing the level of risk involved.

4.12 The Fund targets a prudent long-term return of 4.3 per cent per annum and the Fund's investment strategy is considered to have a degree of volatility.

4.13 When reviewing the investment strategy, the Investment Committee considers advice from its advisers and the need to take additional steps to protect the value of the assets or to realise capital gains should the opportunity arise.

4.14 At each review of the Investment Strategy Statement, the assumptions on risk and return and their impact on asset allocation will be reviewed.

5 Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles

5.1 The Fund recognises the Government's wish for LGPS funds to pool their investments and is committed to pursuing pooling solutions if they benefit the fund.

5.2 The Fund has joined the London Collective Investment Vehicle (LCIV) as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has circa has £14.3bn under direct management, with 22 funds launched as of 2022/23.

5.3 At each review of the investment strategy, which will happen at least every three years, the investment of the Fund's assets will be actively considered by the Fund and, in particular, whether a collective investment option is available or appropriate..

6 Objective 7.2(e): How social, environmental or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments

6.1 The Investment Committee has considered socially responsible investment (SRI) in the context of its legal and fiduciary duties and obligations. The Committee takes the view that non-financial factors should not drive the investment process at the cost of financial return on the Fund.

6.2 The Fund does not actively disinvest in companies for ethical, social or environmental reasons as this may impact on fund returns and would not accord with its principal objectives. The Investment Committee does not have the relevant expertise to make frequent assessment of the financial impact of companies' activities. To that extent, the Investment Committee maintains a policy of non-interference with the day-to-day decision making of the investment managers.

6.3 As a responsible investor, the Fund wishes to promote corporate social responsibility, good practice and improved performance in the managers through which it invests. It is clear that adverse publicity relating to low corporate, environmental or social standards can have an adverse impact on shareholder value, the Fund, its beneficiaries and local taxpayers.

6.4 All of the managers through which the Fund invests comply with the United Nations Principles for Responsible Investment (UNPRI). The Investment Committee is reassured by this that its assets are being invested responsibly.

6.5 Committee members are also keen to engage with managers on their active voting records, particularly where, with policies such as remuneration, this could have an impact on shareholder value

6.6 The Committee considers climate change risk on its risk register (appendix D) along with other ESG risks.

7 Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

7.1 The Fund is committed to making full use of its shareholder rights, and this is covered in 6.4 and 6.5. The Investment Committee has delegated the Fund's voting rights to the investment managers who are required, where practical, to make considered use of voting in the interests of the Fund. The Investment Committee expects the investment managers to vote in the best interests of the Fund.

7.2 The Fund expects its Fund Managers to vote in an appropriate and informed manner and report their voting actions in their quarterly investment reports. The exercise of shareholders' rights is delegated to the Fund Managers as part of their mandate. Fund Managers will vote in accordance with their Corporate Governance Policy Statements. These policy statements have been developed with the recommendations of Institutional Shareholder Service (ISS), Pensions and Lifetime Savings Association (PLSA) and the Association of British Insurers (ABI).

8 Feedback on this statement

Any feedback on this Investment Strategy Statement is welcomed. If you have any comments or wish to discuss any issues, then please contact:

Tri-Borough Treasury and Pensions Team

pensioninvestment@rbkc.gov.uk

Appendix A of the Investment Strategy Statement

Compliance with CIPFA Pensions Panel Principles for investment decision making in the local government pension scheme in United Kingdom

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012".

The Fund aims to comply with all of the Myners Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

The Secretary of State has previously highlighted the principle contained in Roberts v. Hopwood whose administering bodies exercise their duties and powers under regulations governing the investment and management of Funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners Principles are seen as supporting this approach. The principles, together with the Fund's position on compliance, are set out below:

Principle 1 - Effective decision-making

Administrating 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; and**
- **Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

Full Compliance

The Council has delegated the management and administration of the Fund to the Committee, which meets at least quarterly. The responsibilities of the Committee are described in paragraph 1.4 of the ISS. The Investment Committee is made up of elected members of the Council who each have voting rights, as well as co-opted members recruited for their experience and skill in the governance of pension funds.

The Investment Committee obtains and considers advice from the Executive Director for Resources and Assets, Tri-Borough Director, Corporate Finance, and as necessary from the Fund's appointed actuary, investment managers and advisors.

The Investment Committee has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the scheme's regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Business plans are presented to the Committee annually and progress is monitored on a quarterly basis.

Several of the Investment Committee members have extensive experience of dealing with Investment matters and training is made available to new Investment Committee members.

Principle 2 - Clear objectives

An overall investment objective(s) should be set for the Fund that takes account of the pension 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, and these should be clearly communicated to advisors and investment managers.

Full Compliance

The aims and objectives of the Fund are set out within the FSS and within the ISS. The main fund objective is to meet the cost of pension liabilities and to enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the taxpayers and admitted bodies.

The investment strategy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Fund while achieving a good return on investment (see paragraphs 4 and 5 above). The approach taken

Appendix A of the Investment Strategy Statement (continued)

reflects the Fund's liabilities and was decided upon without reference to any other funds. The Fund's performance is measured against the investment objective on a quarterly basis. The Fund's strategy is regularly reviewed.

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating 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.

Full Compliance

The Committee has, in conjunction with its advisers, agreed an investment strategy that is related to the Fund's liabilities. An actuarial valuation of the Fund takes place every three years, with the most recent triennial actuarial valuation taking place in 2019. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

The asset allocation of the Fund is set to maximise the potential to close the funding deficit over future years. The current allocation is outlined in appendix C

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. 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

Full Compliance

The Investment Committee has appointed investment managers with clear index strategic benchmarks within an overall Investment objective which place maximum accountability for performance against that benchmark on the manager.

The managers are monitored at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Mercer, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover, portfolio risk is measured on quarterly basis and the risk/return implications of different strategic options are fully evaluated.

The advisor is assessed on the appropriateness of asset allocation recommendations and the quality of advice given.

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.

The Investment Committee monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition, the Investment Committee receives quarterly reports as to how the Fund has performed against their investment objective.

Principle 5 – Responsible Ownership

Administering authorities should:

• Adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.
• 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.

Full Compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 6 of the ISS and in the Fund's SRI Policy. Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports.

The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests – the Fund's approach to this is outlined in paragraph 7 of the ISS and in the Fund's SRI Policy.

Principle 6 – Transparency and reporting

Administering authorities should:

• Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.
• Provide regular communications to scheme members in the form they consider most appropriate.

Full Compliance

Appendix A of the Investment Strategy Statement (continued)

Links to the Governance Compliance Statement, the ISS, the FSS, the SRI Policy and the Communications Statement are all included in the Pensions Fund Annual Report which is published and is accessible to stakeholders of the Fund on the Council's web site, internal intranet and a website developed specifically for the Fund.

All Committee meetings are open to members of the public and agendas and minutes are published on the Council's website and internal intranet. The Fund's Annual Report includes an assessment of the Fund's performance and an extract from the accounts is sent to stakeholders annually.

Appendix B (of the Investment Strategy Statement)

Compliance with the Stewardship Code

The Stewardship Code is a set of principles or guidelines released in 2010 and updated in 2020 by the Financial Reporting Council (FRC), directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

The seven principles, together with the council's position on compliance, are set out below:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities

The Stewardship responsibilities are outlined in section 1.4 of the ISS, which outlines the terms of reference of the Investment Committee. Investment Managers, authorised under the regulations, are appointed to manage virtually all the assets of the Fund. The Investment Committee actively monitors the Fund Managers through quarterly performance analysis, periodic meetings with the Fund Managers and through direct monitoring by the Fund's investment advisor, which includes monitoring and reporting on:

• Fund manager performance;
• Investment Process compliance and changes;
• Changes in personnel (joiners and leavers);
• Significant portfolio developments;
• Breaches of the IMA;
• Business wins and losses; and
• Corporate and other issues.

Voting is delegated to Fund Managers through the Investment Management Agreement (IMA), which is reported on a quarterly basis to Investment Committee members. All the Fund's managers, listed below, have signed up to the United Nations Principles for Responsible investment. The investment managers used by the Fund are: Adams Street (private equity), Baillie Gifford (active global equity), CBRE (property), Kames (property), Legal and General (passive global equity and cash), Blackrock (passive global equity).

2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Investment Committee encourages its fund managers to have effective policies addressing potential conflicts of interest. Investment Committee members are also required to make declarations of interest prior to all Investment Committee meetings.

3. Monitor their investee companies.

Day-to-day responsibility for managing the Fund's investments are delegated to the relevant fund managers, who are expected to monitor companies, intervene where necessary, and report back regularly on activity undertaken. The Fund's expectations with regards to voting and engagement activities are outlined in its SRI Policy. Reports from fund managers on voting and engagement activity are received and will be reported to the Investment Committee members on a quarterly basis. Concerns are raised directly with the fund managers and issues raised are reported back to the Investment Committee at the subsequent Investment Committee meeting. Fund manager Internal Control reports are monitored, with breaches reported back to the Investment Committee.

4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. The Fund's expectations with regards to voting and engagement activities are outlined in its SRI Policy. The Fund Managers are expected to have their own SRI/ESG policy and to disclose their guidelines for such activities in their own statement of adherence to the Stewardship Code.

5. Willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximize the influence that it can have on individual companies. Where possible, the Fund seeks to exercise its voting rights attached to its non- UK equity holdings by delegation through Power of Attorneys. On environmental issues in particular, the Fund also pursues engagement with companies through membership of the Institutional Investors Group on Climate Change (IIGCC). One of the core objectives of the IIGCC is to engage in dialogues.

Appendix B (of the Investment Strategy Statement)

6. Have a clear policy on voting and disclosure of voting activity.

The Fund currently votes on all decisions and this is reported via Northern Trust. The Fund’s approach to voting is clearly outlined in the ISS.

7. Report periodically on their stewardship and voting activities.

A section on voting is included in each quarterly Business Plan Update, with a yearly review of the policy.

The Fund’s annual report includes information about the Fund’s voting and engagement work.

Appendix C (of the Investment Strategy Statement)

The strategic asset allocation as at 31 March 2025:

	Longer Term Target	Review Range
Listed Equity	70%	+/- 5%
Baillie Gifford – Global Active	20%	+/-3%
BlackRock Global Passive	50%	+/-3%
Private Equity	5%	+/-2%
Property	20%	+5/-2%
Index Linked Gilts	5%	-2%
Total	100.0%	

Appendix D (of the Investment Strategy Statement) - Pension Fund risk register

Risk Group	Risk Description	Impact: Fund	Impact: Employers	Impact: Reputation	Impact: Total	Likelihood	Current risk score	Mitigation actions	Revised likelihood	Total risk score	Reviewed
Administrative and Communicative Risk	Member Data Quality: Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	**22**	**TREAT** 1) Levels of accuracy measured and monitoring reports prepared and presented to Pension Board. 2) Dedicated staff on in-house Data Recovery team are reviewing all historical cases 3) Systems provider has provided training to in-house system users. 4) In preparation for the 2022 valuation, extensive data checks are being performed and communicated with the actuary.	1	**11**	January 2025
Administrative and Communicative Risk	Unforeseen failure of service provider (inc fund manager) Failure of fund manager/service provider without notice, resulting in a period of time without service, or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	**18**	**TREAT** 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3) Actuarial services procured through the national LGPS Frameworks.	1	**9**	January 2025
Administrative and Communicative Risk	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	4	3	9	1	**9**	**TREAT** 1) The Pensions Administration team are set up to work from home. 2) Staff have necessary hardware and software to enable secure, collaborative working across teams. The risk is considered to now be redundant and will be removed at the next update.	1	**9**	January 2025
Administrative and Communicative Risk	ICT failure of financial system Failure of financial system causing disruption of payments to suppliers	1	3	4	8	2	**16**	**TRANSFER** 1) Contract in place with Hampshire CC to provide payment service 2) Regular review of actual expenses vs forecast.	1	**8**	January 2025

Administrative and Communicative Risk	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	**TREAT** 1) System security and data security is in place 2) Business continuity plans regularly reviewed, communicated and tested 3) Internal control mechanisms ensure safe custody and security of LGPS assets. 4) Assurance from the Fund's custodian regarding their cyber security compliance.	1	**8**	January 2025
Administrative and Communicative Risk	Transferring out Individuals transferring out without financial advice or understanding of repercussions, or potentially falling victim to scams.	2	2	4	8	1	**8**	**TREAT** 1) Information is circulated with pension newsletters to raise awareness of scams and highlight that individuals should seek independent advice before making any decisions. 2) Requests to transfer-out to an overseas pension schemes go through the pensions team and are all checked to be in compliance with UK QROPS , as well as confirming obtainment of independent financial advice in the UK from a qualified practitioner	1	**8**	January 2025
Administrative and Communicative Risk	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	**14**	**TREAT** 1) Option to submit prior month BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators / software suppliers.	1	**7**	January 2025
Administrative and Communicative Risk	Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	**12**	**TREAT** 1) Regular reconciliations are undertaken of pension benefits. 2) If an underpayments occurs, arrears are paid as soon as possible, usually in the next monthly	1	**6**	January 2025
Administrative and Communicative Risk	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**9**	**TREAT** 1) Pension administration records are stored on servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. All files are backed up daily.	2	**6**	January 2025
Asset and Investment Risk	Investment pooling risks- The London Collective Investment Vehicle (LCIV) has inadequate resources to monitor the implementation of investment strategy, disbands or the partnership fails to produce proposals/solutions.	5	4	3	12	3	**36**	**TOLERATE** 1) Officers monitor the existing Funds and Civ proposals. 2) Officers attend Pension Officer Groups to ensure the Fund is represented and kept up to date. 3) The Tri-Borough Director of Treasury & Pensions is a member of the Officer Investment Advisory Committee, providing the Fund with influence over the work of the London CIV. 4) LCIV recently appointed a new CEO	2	**24**	January 2025

Asset and Investment Risk	Environmental risk: Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage.	3	2	5	10	2	**20**	**TREAT** 1) The ISS in reviewed and published according to regulation and best practices (e.g., Stewardship Code). 2) The Fund has approved and published its first Responsible Investment Strategy, with an update due aligning with the 2025 valuation 3) Fund managers are encouraged to engage with invested companies and provide updates. 4) The Council has declared a Climate Emergency with the aim of becoming net-zero by 2030 and carbon-neutral by 2040. 5) The Fund is a member of LAPFF. 6) The Fund has assembled a climate working group to encourage discussion and hear from external parties.	2	**20**	January 2025
Asset and Investment Risk	Manager underperformance risk - Investment managers fail to achieve benchmark/ outperformance targets over the longer term	5	3	1	9	3	**27**	**TREAT** 1) The Investment Management Agreements (IMAs)clearly state RBKC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. Benchmarks during the year may not be met but longer term performance is monitored and on track 3) Portfolio rebalancing is considered on a regular basis by the Investment Committee.	2	**18**	January 2025
Asset and Investment Risk	(Corporate) governance risk The Department for Levelling Up, Housing and Communities' (DLUHC's) has proposed new regulations for Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). The first reporting year will be the financial year 2023/24, with the regulations expected to be in force by April 2023 and the first reports required by December 2024.	3	2	1	6	3	**18**	**TOLERATE** 1) Officers consult and engage with LGPS Scheme Advisory Board, advisors, consultants, peers and attend various seminars and conferences on the subject. Including attendance of the London Pension Fund Officers Forum, where there is an open arena for discussions. 2) The Fund considers its fiduciary duty very seriously and challenges any decisions it feels would prevent the funding in meeting this obligation.	3	**18**	January 2025

Asset and Investment Risk	Illiquidity Risk -Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and the economic after effects.	4	3	1	8	2	**16**	**TOLERATE/TREAT** 1) Officers consult and engage with advisors and investment managers. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of hedging currency and equity index movements. Whilst the risk has decreased, there is still the potential for volatility implementing some of the post-Brexit agreements.	2	**16**	January 2025
Asset and Investment Risk	Illiquidity risk: Significant volatility in global investment markets causing an increased risk to global economic stability, leading to deterioration in funding levels and increased contribution requirements from employers. Global disruptive events (Middle East, Russia-Ukraine and China-Taiwan conflicts) causing heightened uncertainty and setbacks to growth and confidence.	4	3	1	8	4	**32**	**TREAT** 1) The proportion of total asset allocation made up of global equities, private equities, and property funds, including the Fund's growing real estate portfolio, is monitored to limit exposure to any single asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk and asset allocation. 3) The actuarial assumption regarding asset outperformance is considered achievable over the long term when compared with historical data. 4) The value of investments in particular geographical areas is regularly monitored	2	**16**	January 2025
Asset and Investment Risk	Risk of unfavourable financial terms or unforeseen costs associated with the purchase of a Temporary Accommodation building for use by the Council, including potential issues with the lease arrangement, rental rates, or long-term affordability. Additionally, there may be operational challenges, such as delays in the property's readiness or compliance with regulatory requirements. Legal risks include uncertainty around ensuring the asset is held on a segregated basis solely for the benefit of RBKC indefinitely, as well as the potential lack of legal certainty that the asset could not be sold or disposed of without RBKC's agreement.	2	1	4	7	3	**21**	**TREAT** The Fund has been working with property managers CBRE and the Council to model a pricing and rental structure that aligns with the objectives of both parties. The Legal team is reviewing the structure, and the Fund is also in discussions with the CIV regarding potential options. The Fund proposes to ensure legal certainty that the asset will be held on a segregated basis solely for the benefit of RBKC indefinitely, and that the asset could not be sold or otherwise disposed of without RBKC's agreement. Additionally, tax considerations will be optimised.	2	**14**	January 2025
Asset and Investment Risk	There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	2	11	2	**22**	**TREAT** 1) Cashflow forecast maintained and monitored. Cashflow requirement is a factor in current investment strategy review. The Fund is over allocated to liquid funds, resulting in cash being easily accessible.	1	**11**	January 2025

Asset and Investment Risk	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	**22**	**TREAT** 1) Active investment strategy and asset allocation monitoring from Investment Committee, officers and consultants. 2) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	**11**	January 2025
Asset and Investment Risk	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	**22**	**TREAT** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements; Internal Audit assist in the implementation of strong internal controls. 3) All Fund Managers to provide annual internal control reports.	1	**11**	January 2025
Asset and Investment Risk	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	**22**	**TREAT** 1) Data encryption technology is in place which allows the secure transmission of data to external service providers. 2) RBKC IT data security policy adhered to. 3) Implementation of GDPR and online training for officers.	1	**11**	January 2025
Asset and Investment Risk	A change in government may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	**22**	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**11**	January 2025
Asset and Investment Risk	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	**20**	**TREAT** 1) At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise and challenge advice provided. Actuarial contract procured under the National LGPS Framework	1	**10**	January 2025
Asset and Investment Risk	Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	**20**	**TREAT** 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and	1	**10**	January 2025

							investment consultancies are provided by two different providers.			
Asset and Investment Risk	Failure of global custodian or counterparty.	5	3	2	10	2	**20**	**TREAT** 1) At time of appointment, ensure assets are separately registered and segregated by owner. 2) Review of internal control reports on an annual basis. 3) Procurement team continue to review credit rating.	1	**10**	January 2025
Asset and Investment Risk	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	**20**	**TREAT** 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure.	1	**10**	January 2025
Asset and Investment Risk	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements.	5	3	2	10	2	**20**	**TREAT** 1) Assets are allocated across various classes: equities, property and cash. This limits exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	1	**10**	January 2025
Asset and Investment Risk	Inaccurate cash flow forecasts or drawdown payments lead to shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available	3	4	2	9	2	**18**	**TREAT** 1) Borrowing limits with banks are set at levels that are more than adequate should cash be required at short notice. 2) Cashflow analysis of pension fund undertaken at regular intervals. The cash has a high weighting in liquid funds.	1	**9**	January 2025

Employer Risk	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	**27**	**TREAT** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Within the commercial contract it is RBKC policy that Admitted Bodies are required to buy bonds to cover situations such as if they are unable to meet their financial liabilities to the pension fund. The purchasing of the bonds is monitored by the Retained Pensions Team	2	**18**	January 2025
Employer Risk	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	**22**	**TREAT** 1) Transferee admission bodies required to have bonds or guarantees in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	**11**	January 2025
Liability Risk	Inflation Risk - Price is significantly more than anticipated in the actuarial assumptions. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices.	5	3	2	10	3	**30**	**TREAT** 1) The Fund holds real assets, including property and index-linked gilts, to mitigate CPI risk. 2) Global equities also provide some degree of inflation protection. 3) Officers and the investment advisor continue to monitor increases in CPI inflation. 4) Inflation will be factored into the 2025 valuation	3	**30**	January 2025
Liability Risk	Longevity Risk: Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	**22**	**TREAT** 1) The scheme's liabilities are reviewed at each triennial valuation, and the actuary's assumptions are challenged as needed. The actuary's most recent longevity analysis indicates that the rate of increase in life expectancy is slowing	2	**22**	January 2025
liability Risk	Salary increase risk: Employee pay increases are significantly more than anticipated for employers within the Fund	4	4	2	10	2	**20**	**TOLERATE** 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary’s long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1	2	**20**	January 2025

							April 2014). *Employee pay rises currently remain below inflation.*			
Liability Risk	Impact of economic and political decisions on the Pension Fund’s employer workforce.	5	2	1	8	2	**16**	**TREAT** 1) Hymans Robertson uses prudent assumptions on future of employees within workforce. 2) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	**16**	January 2025
Liability Risk	Ill-health retirement risk: Ill health costs may exceed “budget” allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	**14**	**TOLERATE** 1) Review “budgets” at each triennial valuation and challenge actuary as required. 2)Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3) Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	**14**	January 2025
Liability Risk	Longevity risk: Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	**26**	**TREAT** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	**13**	January 2025
Liability Risk	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	**10**	**TOLERATE** 1) Political power required to effect the change. No evidence of increase in requests	1	**10**	January 2025
Liability Risk	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	**20**	**TREAT** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) No evidence in 2021/22 of members transferring out to DC schemes.	1	**10**	January 2025

Liability Risk	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	**18**	**TREAT** 1) Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 2) Cashflow position monitored monthly and 10 year cashflow forecasts presented annually	1	**9**	January 2025
Liability Risk	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	**10**	**TREAT** 1) Pension Fund monitors ill health retirement awards 2) Costs are reclaimed from authority where applicable. 3) costs are monitored yearly with no evidence of increasing costs.	1	**5**	January 2025
Liability Risk	Failure to identify Guaranteed Minimum Payment (GMP) liability leads to ongoing costs for the pension fund.	1	2	1	4	2	**8**	**TREAT** 1) The internal Pensions Admin team are working with third party supplier Mercer, to review and update all (GMP) values and Requisite Benefit values is still expected to be completed by December 2022, with most of the work being performed between July – October 2022. Member records will be updated with the results in the current 2022-23 financial year.	1	**4**	January 2025
Regulatory and Compliance Risk	Failure of securely send sensitive data and any breach of General Data Protection Regulation (GDPR) legislation.	4	3	5	12	2	**24**	**TREAT** 1) Introduction of IConnect system forces employers to submit securely through the portal.	1	**12**	January 2025
Regulatory and Compliance Risk	Changes to LGPS Regulations	3	2	1	6	3	**18**	**TREAT** 1) Future impacts on employer contributions and cash flows will considered during the actuarial valuation process. 2) Fund will respond to consultation processes. 3) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. 4) Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	January 2025
Regulatory and Compliance Risk	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	4	3	4	11	2	**22**	**TREAT** 1) Publication of the Funds strategies are available on the RBKC external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**11**	January 2025

Regulatory and Compliance Risk	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	**18**	**TREAT** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Investment Committee and Local Pension Board. 2) Internal Pension Board tracker has been created to record decisions and engagement	1	**9**	January 2025
Regulatory and Compliance Risk	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	**16**	**TREAT** 1) Good internal management controls that are assessed on an annual basis by internal and external audit as well as council officers. 2) Strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches. 3) Staff complete GDPR training	1	**8**	January 2025
Regulatory and Compliance Risk	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	**14**	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	January 2025
Reputational Risk	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	**15**	**TREAT** 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review has followed the actuarial 2019 valuation.	3	**15**	January 2025
Reputational Risk	The Fund sets a contribution rate that is inconsistent with the actuary's recommendations.	1	1	4	6	3	**18**	**TREAT** 1) The Fund sought legal counsel before making a decision 2) The Fund advised the Council to maintain the original contribution rate, held in reserves, to ensure funds would be available if needed Discussions between the actuary, regulator, and government are ongoing, and the risk will be updated accordingly	2	**12**	January 2025
Reputational Risk	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	**22**	**TREAT** 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	**11**	January 2025

Reputational Risk	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	**TREAT** 1) Third parties are regulated by the FCA and separation of duties are in place. 2) Annual review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams. 5) External audit 2020/21 showed satisfactory assurance with recommendations implemented during the year.	1	**10**	January 2025
Reputational Risk	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	2	2	3	7	2	**14**	**TREAT** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Actuarial and investment management services procured through the national LGPS Frameworks. 3) Pooled funds are not subject to OJEU rules.	1	**7**	January 2025
Resource and Skill Risk	Inadequate knowledge Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	**21**	**TREAT** 1) Process notes shared amongst team members 2) Continuous development of team members 3) Officers and members of the Investment Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs. 4) Tri-borough setup benefits from officers across the boroughs being able to stand-in in an emergency.	2	**14**	January 2025
Resource and Skill Risk	Change in membership of Investment Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	**20**	**TREAT** 1) Succession planning process in place. 2) Ongoing training of Investment Committee members and inductions for new members. 3) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	2	**10**	January 2025
Resource and Skill Risk	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	**20**	TREAT 1) Person specifications used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. Officers maintain their CPD by attending training events and conferences. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge.	1	**10**	January 2025
Resource and Skill Risk	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	**18**	**TREAT** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	**9**	January 2025

Resource and Skill Risk	Loss of 'Elective Professional Status' with any or all of existing Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options.	4	2	2	8	2	**16**	**TREAT** 1) Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2) Training programme and log in place to ensure knowledge and understanding is kept up to date. 3) Existing and new Officer appointments subject to requirements for professional qualifications and CPD. Tri-Borough Staff undertake CFA Qualification	1	**8**	January 2025
Resource and Skill Risk	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	2	3	6	2	**12**	**TREAT** 1) Pension Administration service moved in house as of April 2021. A 5 year forecast for additional staff and continued training has been agreed and monitored. Costs were as expected for 21/22. 2) Ongoing monitoring of KPIs	1	**6**	January 2025
Resource and Skill Risk	Failure to detect material errors in the bank reconciliation process.	2	2	2	6	2	**12**	**TREAT** 1) Bank reconciliation carried out in-house by the pensions team and submitted to auditors at year end.	1	**6**	January 2025
Resource and Skill Risk	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	**12**	**TREAT** 1) Officers regularly attend training seminars and conferences 2) Designated officer in place to record and organise training sessions for officers and members	1	**6**	January 2025
Resource and Skill Risk	Lack of productivity leads to impaired performance.	2	2	1	5	2	**10**	**TREAT** 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	**5**	January 2025
Resource and Skill Risk	Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	**12**	**TREAT** 1) Reconciliation process notes are reviewed and shared by the Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process. 3) Contributions reconciliation is regularly undertaken.	1	**4**	January 2025

Appendix 3 - Communication Policy

BACKGROUND

The Local Government Pension Scheme Regulations 2013, Regulation 61 requires administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

This is the Local Government Pension Scheme (LGPS) Communications Policy Statement for The Royal Borough of Kensington & Chelsea (RBKC) Pension Fund.

RBKC in its capacity as the Administering Authority engages with other employers (in the form of Admitted bodies and Scheduled Bodies).

This policy document sets out the mechanisms that RBKC uses to meet its communication responsibilities.

ROLES AND RESPONSIBILITIES OVERVIEW

<u>RBKC</u>

The Pensions Team is responsible for setting the pensions administration management strategy which includes the drafting of this document and the allocation of communication responsibilities, including those to all third parties.

The pensions Team is also responsible for the day-to-day transaction pension administration service for the RBKC Pension Scheme. This includes producing high quality, timely and accurate pensions communications to scheme members and employers.

The Pensions Team will devise and approve significant communications prior to them being issued, including any drafted by third parties.

RBKC is responsible for the day-to-day transactional HR and payroll services for RBKC non-school's staff.

<u>Other third-party payroll providers for RBKC scheme members</u>

Other third-party payroll providers will provide transactional HR and payroll services for RBKC schools staff and other employers within the RBKC pension fund. Within the context of this policy all third-party HR and payroll transactional services providers are responsible for the quality, timeliness and accuracy of communications within their normal business activities.

They are also responsible for communicating specific pension-related projects and tasks agreed and allocated to them by the RBKC Pensions Team.

HOW INFORMATION IS COMMUNICATED

Information about the RBKC LGPS is communicated in a variety of ways to scheme members and prospective scheme members, primarily as follows:

Type of information	How it is communicated
General information about the RBKC LGPS, policies, practices, standard forms, for scheme members and employers	Via the RBKC LGPS website: www.rbkcpensionfund.org
Scheme member pension portal to securely access personal pension record, view benefit statements, run pension projections, complete nominated beneficiary data, etc.	Via the RBKC pension portal: https://mypension.rbkc.gov.uk
Member-specific notifications	Annual Benefit Statement for active and deferred members (each August) Annual Pensions Increase notification to RBKC pensioners (each April) Newsletters and emails from RBKC Pensions, as required
Generic LGPS policies	Via the LGPS member website: *www.lgpsmember.org*
RBKC employer-specific guidance	Via email from RBKC Pensions to all scheme employers, as required. This supplements information on the RBKC Pension Fund website

A full list of the communication types is given in the table:

Communication Document	When Made Available	Available To	Format	When Reviewed
Guide to the Local Government Pension Scheme Guide	When requested	Prospective / Active / Deferred members	Paper / RBKC Pension Fund & National Member's Website	As regulations change or annually
Joiner information with scheme details	When commencing employment	Active Members	Paper / RBKC Penson Fund & National Member's Website	As regulations change or annually
Member Support	When requested	Prospective / Active / Deferred / Pensioner Members	Paper / In person / Phone / Email / RBKC Pension Fund Website / RBKC Member's Portal	As required
Pay Advice Slips	As per Payroll agreements	Pensioner Members	Paper	Annually
Form P60	Annually	Pensioner Members	Paper	Annually
Newsletters	Annually / As required by Regulations	Prospective / Active / Deferred Members	Paper (if requested) / RBKC Pension Fund Website	Annually / As required
Annual Benefit Statements	Annually	Active / Deferred Members	Paper / RBKC Member's Portal	Annually
Pensions Service Annual Business Plan	On Request	All	Paper / RBKC Pension Fund Website	Annually
Statutory Statements	On Request	All	Paper / RBKC Pension Fund Website	Annually / As required
Pension Fund Report and Accounts	Annually	All	Paper / RBKC Pension Fund Website	Annually
Employers' Guides	On becoming an employing authority / When requested	Employers	Paper / RBKC Pension Fund Website	Annually / As required

FURTHER DETAILS ABOUT WHAT IS COMMUNICATED

Joiner information with Scheme details
A document providing an overview of the LGPS is provided to all employees commencing scheme membership. The document guide is regularly updated to take account of any scheme changes.

Website/Information Technology
The RBKC Pensions website (www.rbkcpensionfund.org/) contains details of the scheme, together with newsletters, information guides and forms.
The Pensions team can be contacted by email at: pensions@rbkc.gov.uk
Scheme information is also available online via the Local Government Employers' Organisation's national website at www.lgpsregs.org/ and www.lgpsmember.org/

Newsletters
An annual newsletter is prepared for both active and deferred members, which provides updates on changes to the LGPS as well as other related news, such as national changes to pensions and contact details.

Member support
Scheme members can contact the Pensions Team by telephone between 9:00am and 5.00pm Monday to Friday. The Pensions Team operates an "open-door" policy where members may visit the office between 9.00am and 5.00pm Monday to Friday without a pre-arranged appointment. The Pensions Team also offers pre-arranged appointments.

Annual Benefit Statements
For active members these include the value of current and projected benefits. The associated death benefits are also shown along with details of any individuals nominated to receive the lump sum death grant.
In relation to deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits, as well as the associated death benefits.

Pay advice slips / P60s / Pensions Increase
Pay advice slips are provided to pensioner members in accordance with the agreed Council-Payroll arrangements and a form P60 is sent annually. Pensioner members are sent a letter annually with details of the new amount of pension following the yearly Pensions Increase.

Fund Report and Accounts
Details of the value of the Pension Fund during the financial year, income and expenditure etc. These documents can be accessed using the following link: http://www.rbkcpensionfund.org/
Employers' Guides
Detailed guides that provide guidance on the employer responsibilities in relation to the scheme.

Other employers joining the fund
A legal requirement to notify both organisations of the name and type of employer entering the Fund (i.e. following the admission of third-party service providers into the scheme).

Statutory returns and questionnaires
Statutory and various questionnaires that are received, requesting specific information in relation to the structure of the LGPS or the composition of the Fund.

FURTHER INFORMATION

More information about the RBKC LGPS is available from:
RBKC Pensions Team
3rd Floor
Royal Borough of Kensington and Chelsea Town Hall
Hornton Street
London
W8 7NX
Email: pensions@rbkc.gov.uk
Website: www.rbkcpensionfund.org
Phone: 0207 361 2323

Appendix 4 - Funding Strategy Statement

1. Purpose of the Funding Strategy Statement

This document sets out the funding strategy statement (FSS) for the Royal Borough of Kensington and Chelsea Pension Fund.

The Royal Borough of Kensington and Chelsea Pension Fund is administered by the Royal Borough of Kensington and Chelsea, known as the administering authority. The Royal Borough of Kensington and Chelsea worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from April 2023.

There's a regulatory requirement for the Royal Borough of Kensington and Chelsea to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact *pensions@rbkc.gov.uk*.

1.1 What is the Royal Borough of Kensington and Chelsea Pension Fund?

The Royal Borough of Kensington and Chelsea Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

• take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants

• use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency

• where appropriate, ensure stable employer contribution rates

• reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy

• use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as community admission bodies (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called transferee admission bodies (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at https://www.rbkcpensionfund.org/resources/

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Royal Borough of Kensington and Chelsea Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

• the primary contribution rate – contributions payable towards future benefits

• the secondary contribution rate – the difference between the primary rate and the total employer contribution

• The primary rate also includes an allowance for the fund's expenses.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

• the funding target – how much money the fund aims to hold for each employer

• the time horizon – the time over which the employer aims to achieve the funding target

• the likelihood of success – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. After taking advice from the fund actuary, the administering authority believes a stabilised approach is currently not appropriate for any employers.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contribution.

2.5 The fund may amend contribution rates between formal valuations. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contribution. What is pooling?

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.

The exception to this is academy employers, who are pooled for the purpose of determining contribution rates to recognise the common characteristics of these employers.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level or cross-subsidy of pension cost amongst pooled employers.

Pooling of other individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and fund actuary.

2.6 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum.

For the years 2024/25 and 2025/26, the Council will not pay additional pension strain contributions in respect of early retirements. This is a temporary policy change and will be reviewed as part of the 2025 valuation of the Fund. The Fund will continue to monitor the number of pension strains incurred.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer may be required to pay a funding strain, which may be a large sum. Strains are currently met by a fund-operated ill-health risk management solution.

Strains are currently met by a fund-operated ill-health risk management solution, whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

The administering authority's approach to help manage ill-health early retirement costs was put in place during May 2020.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as part of the Academies pool. Only active members of former council schools transfer to the academy pool.

Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

The academy pool will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities.

Academies have been harmonised to reflect the pooled position at the 2022 valuation date. The contribution rate payable is the Primary Rate assessed at the 2022 valuation, and this has not been reduced to reflect the surplus at the 2022 valuation date. This is appropriate as these employers are immature (mostly actives) and the Primary Rate reflects the long term expected cost of benefits for these employers. The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

The new employer's contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower

• the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities

• the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

• the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time

• insolvency, winding up or liquidation of the admission body

• a breach of the agreement obligations that isn't remedied to the fund's satisfaction

• failure to pay any sums due within the period required

• failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor

• termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

• the surplus amount

• the proportion of the surplus due to the employer's contributions

• any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support

• any other relevant factors.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

• spread over an agreed period, if the employer enters into a deferred spreading agreement

• if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

7.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits.

Appendix 4 – Funding Strategy Statement (continued)

The fund actuary will portion the liabilities on a pro-rata basis at the formal valuation

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other

2. the implied deficit recovery period

3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark

2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit

3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy

4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate

5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

• establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward

• support the regulatory framework to maintain as nearly constant employer contribution rates as possible

• ensure the fund meets its solvency and long-term cost efficiency objectives

• take a prudent longer-term view of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "persons the authority considers appropriate". This should include 'meaningful dialogue… with council tax raising authorities and representatives of other participating employers'.

A3 How is the FSS published?

The FSS is emailed to participating employers and pensioner representatives. A full copy is included in the fund's annual report and accounts and published on the administering authority's website. Copies are also freely available on request and sent to investment managers and independent advisers.

The FSS is published at *https://www.rbkcpensionfund.org/resources/*

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at https://www.rbkcpensionfund.org/resources/

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the fund against employer default

9 works with the fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the fund's performance and funding, amending the strategy statements as necessary

14enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the board terms of reference available here.

Details of the key fund-specific risks and controls are set out in the risk register included in the Annual Report.

C2 Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). However, the Investment Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

C3 Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

C4 Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

C5 Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

C7 Climate risk and TCFD reporting

DLUHC has issued a consultation on how LGPS in England and Wales should assess and manage climate risks and opportunities, proposing to disclose information in line with the Taskforce on Climate Related Financial Disclosures (TCFD). The 12-week consultation will end on 24 November 2022.

The government intends to make TCFD-aligned disclosures mandatory in the UK across the economy by 2025. Under the proposals, funds will have to report on this annually, with the reports also summarised in an LGPS-wide report, including the overall carbon emissions of the scheme. The first reporting year will be the financial year 2023/24, with the regulations expected to be in force by April 2023 and the first reports required by December 2024.

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer Type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.3%
Low-risk exit basis	Community admission bodies closed to new entrants	0 %
Contractor exit basis	Transferee admission bodies	Based on expected returns over 20 years with a 67% likelihood

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.4% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 71% likelihood that the fund's assets will future investment returns of 4.4% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 1% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.

2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the expected returns over the period of 20 years based on a 67% probability.

APPROVED BY THE INVESTMENT COMMITTEE 4 November 2024

Appendix 5 - Pensions Administration Strategy

1. Introduction

The delivery of a high quality, cost effective local government pensions administration service is not just the responsibility of the Administering Authority (Royal Borough of Kensington & Chelsea [RBKC]), it also depends upon collaborative working with all stakeholders to ensure that Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

The aim of this Pensions Administration Strategy (PAS) is to ensure that the Administering Authority along with its Admitted and Scheduled body employers are aware of their responsibilities under the Local Government Pension Scheme (LGPS).

This document also shows the relationship and details the split of responsibilities between the Administering Authority and the Admitted and Scheduled body employers (Employers).

Throughout this document contractual and best practice levels of performance are referenced with the aim of incrementally improving the provision of timely accurate data and levels of pension administrative services.

Failure to comply with the standards shown in this document could result in charges being levied by the Administering Authority to Employers in accordance with the terms set out in the schedule of charging in Section 6.

2. PAS Policy Statement

Pensions Administration Strategy Policy Statement

This statement sets out the aims and objectives of the PAS and references other documents which together make up the overall pensions administration management system.

Statutory background

Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables an Administering Authority to prepare a document detailing administrative standards, performance measurement, data flows and communication vehicles with Employers.

Regulation 70 of the LGPS 2013 allows an Administering Authority to recover costs from a scheme Employer where costs have been incurred because of an Employer's non-compliant level of performance in carrying out its functions and/or complying with its obligations under the Regulations.

Aims & Objectives

In creating this strategy, the aim of the Administrating Authority is to have in place a pension management system that meets the needs of the stakeholders by:

• clarifying the roles and responsibilities of all the major stakeholders.

• ensuring the services provided by all the major stakeholders are accessible, equitable and transparent

• assisting Employers to provide the effective provision of timely and accurate data

To support these aims this PAS document introduces:

• the standard of expected service between the Administrating Authority and Employers

• a schedule of charges that may apply when standards of service fall below expectations

• a strategy in place to develop web enabled services for Employers and employees.

Other documents which make up the overall strategy

• Local Government Pension Scheme Communications Policy

3. Roles and responsibilities

Administering Authority

The main responsibilities of the Administering Authority are:

- To monitor scheme employer compliance with their responsibilities under the LGPS regulations and elsewhere.
- To decide how any previous service or the employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- To notify each member regarding the counting of membership in the scheme.
- To set up and maintain a record for each member of the scheme which contains all the information

necessary to produce an accurate pension benefit calculation following the employer providing useable, accurate and timely financial data.

- To calculate and pay the appropriate pension benefits at the correct time, based on membership details held the termination date and the final pay details provided by the employer when an employee ceases employment, or ceases membership of the Scheme.
- To supply beneficiaries with details of their entitlements including the method of calculation.
- To set up and maintain a record for each pensioner member.
- To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders.
- To pay benefits to the correct beneficiaries only, and to take steps to reduce the possibility of fraud taking place.
- To ensure that sufficient information is issued to satisfy the requirements of Regulation 61 of the LGPS 2013 (statements of policy concerning communications with members and Scheme employers).
- To maintain an appointed person for the purposes of the scheme internal dispute resolution procedure (IDRP)
- To appoint all necessary advisors to enable the appointed person to perform the duties required by the IDRP.
- To appoint an actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice and any other valuations when required.
- To arrange and manage the triennial valuation of the pension fund.
- To ensure compliance with the Data Protection Act 2018.

Scheme Employers

The main responsibilities of a Scheme Employer are:

- To decide who is eligible to become a member of the Scheme, in accordance with LGPS eligibility requirements.
- To decide whether that person is employed in a full time, part time, variable time or casual capacity. If the employee is part time the employer must determine the proportion which the employees' contractual hours relate to the hours of a comparable full time employee.
- To determine the pensionable pay of employees for the purposes of calculating employee and employer pension contributions, in accordance with LGPS regulations.
- To determine final pay for the purposes of calculating benefits due from the Scheme, in accordance with LGPS regulations.
- To issue a notification to any employee who cannot become members of the Scheme, explaining the reason(s) why.
- Where, after reasonable efforts, an employee fails to provide information relating to previous service, to provide basic information to the Administrating Authority as required by the Administering Authority.
- At cessation of membership of the Scheme, to determine the reason for leaving and entitlement to benefit, and to notify the Administrating Authority and the Scheme member of the decision.
- To supply timely and accurate information each month (and at financial year-end) to the Administering Authority (or during any other additional periods as may be required by the Administrating Authority) to ensure the correct calculation of benefits payable from the Scheme. The submission format(s) and submission date(s) of such data must meet the requirements of the Administering Authority.
- To deduct Additional Voluntary Contributions (AVCs) from a member's pay and to pay over to the AVC provider within the statutory deadlines.
- To be responsible for exercising the discretionary powers given to Employers by the LGPS regulations. These regulations also require the Employer to publish its policy in respect of these key discretions.
- To provide a notice, drawing the employee's attention to their right of appeal under the LGPS, with any statement issued to an employee relating to any decision made about the Scheme.
- To use an Independent Registered Medical Practitioner qualified in Occupational Health medicine that has been approved by the

Administrating Authority in determining ill health retirement.

- To repay to the Scheme member any incorrectly deducted employee's contributions.
- To provide the Administrating Authority with an audited copy of the final annual statement for the financial year, which shall also contain the name and pensionable pay of each employee who is an active member, the amounts which represent pension deductions from pay for each of those employees and the periods covered by the deductions and any other information requested by the Administering Authority. The information should also distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.
- To be responsible for complying with the requirements for funding early retirement for whatever reason as set out in the rates and adjustments certificate issued by the Actuary following the triennial valuation of the fund, or any other interim valuation of the fund by the Actuary.
- Pay the Administrating Authority interest on payments due from the Employer which are overdue by more than one month.
- Where a member leaves the Scheme and full contributions have not been deducted for whatever reason, immediately make payment of outstanding member's and Employer's contributions to the Administrating Authority.
- To ensure compliance with Data Protection Act 2018.

4. Liaison, engagement and communication strategy

The Administrating Authority will issue and annually review their Local Government Pension Scheme Communications Policy. The policy will include a strategy for communicating with:

- Scheme Members
- Members’ Representatives
- Prospective members
- Employers participating in the Fund

This policy document will set out the mechanisms that the Administrating Authority will use to meet their communication responsibilities it will also include details of what is communicated and the frequency.

The Administrating Authority will annually issue an engagement plan that will include events for employers, members of the scheme and perspective members of the scheme.

Appendix 5 – Pension Administration Strategy (continued)

5. Standards of expected service between the Administration Authority and Scheme employer

AA = Administration authority E = Employer

Who	Administration Description	Performance Targets	Acceptable performance
	New Starters and Transfers in		
E	New Starter The Employer to give potential new members the pensions information contained in the most recent starter pack.	Within 20 working days before the new employee’s first day of employment.	100% compliance within the target
E	New scheme member Employer to send to the Administrating Authority the details of the new member.	Within 25 working days after the scheme membership start date.	100% compliance within the target
AA	New scheme member Administrating Authority to create a new pension record from the completed notification from the Employer	Within 20 working days from the date of notification	100% compliance within the target
AA	New scheme member: Administrating Authority to request a transfer quote from the new member’s previous scheme.	Within 20 working days of receipt of authorisation from the employee	100% compliance within the target
AA	New scheme member: Administrating Authority to credit member record with membership due from transfer of previous pension benefits.	Within 20 working days of receipt of payment from previous pension scheme.	100% compliance within the target
AA	New Scheme member: Notification of service purchased by an incoming transfer to be provided to the scheme new member.	Within 20 working days of receipt of the all the information.	100% compliance within the target
	Existing members and schemes		
AA	Changes to data which materially affect actual or potential benefit calculations to be processed.	Within 20 working days of occurrence or receipt of all necessary information, whichever is later.	100% compliance within the target
AA	Admissions and Inter Fund Adjustment (IFA) in to be notified to the members concerned.	Within 20 working days of receipt of all necessary information.	100% compliance within the target
AA	Transfers and Inter Fund Adjustment IFA out to be notified to the receiving scheme.	Within 20 working days of receipt of all necessary information.	100% compliance within the target
AA	The terms of purchasing additional pension to be notified to the member concerned.	Within 10 working days of receipt of all necessary information.	100% compliance within the target
AA or E	Refund of contributions, where due under the Regulations, to be calculated and paid.	Within 20 working days of receipt of all necessary information following the elapse of any period before which the contributions can be refunded.	100% compliance within the target

AA	Upon receipt of a death notification from an Employer of a pensioner; arrangements put in place for pension payments to cease immediately	Within 1 working day of receipt of all necessary information.	100% compliance within the target
AA	Upon receipt of a death notification from an Employer of a pensioner, letters will be sent to next of kin or other relevant party. Setting up of any dependents pension.	Within 10 working days of receipt of notification of a death. Within 10 working days of receipt of all necessary information.	100% compliance within the target
	Leavers and Transfers out		
E	Leaver: Employer to send the Administrating Authority a completed leaver notification	Within 25 working days from the employee's last day in the Scheme.	100% compliance within the target
AA	Leaver: Administrating Authority to issue a statement of deferred benefits as appropriate.	Within 20 working days of receiving the correctly completed leaver form from the Employer.	100% compliance within the target
AA	Leaver: Administrating Authority to issue quote for Cash Equivalent Transfer Value (CETV).	Within 20 working days of receipt of request.	100% compliance within the target
E	Retirements: Employer to send the Administrating Authority a completed retirement notification.	Within 5 working days of the employee's retirement date.	100% compliance within the target
AA	Retirements: Administrating Authority to send benefit options to member together with relevant forms required for payment of retirement benefits.	Within 7 working days of receiving notification from the Employer.	100% compliance within the target
AA	Retirements: Administrating Authority to arrange the payment of Lump Sum if due,	Retirements: Administrating Authority to arrange the payment of Lump Sum if due.	100% compliance within the target
AA	Retirements: Administrating Authority to arrange payment of Annual Pension (paid monthly)	On the next available monthly pensioner payroll run, provided the cut-off date for input has not already passed, and provided the Administering Authority has received the correctly completed Pension Options Form and any other required data from the Member.	100% compliance within the target
	Deductions		
E	Employee contribution rate: To apply the appropriate LGPS employee banding tier to the scheme member, based on their actual pensionable pay in each pay period x 12, to arrive at the appropriate annual banding tier defined in the regulations.	In each pay period.	100% compliance within the target
E	Monthly deductions: Employer to send a monthly payment for all contributions, a monthly schedule of deductions from each scheme member's salary, and a monthly remittance summary, to the Administering Authority. Payments of contributions by cheque are not acceptable, only by BACS or CHAPS will be accepted.	By the 19th day of the month following the month in which contributions were deducted, or the working day immediately prior to this if the 19th falls on a weekend or bank holiday.	100% compliance within the target

	The monthly schedule of member deductions and the monthly remittance must be in a format specified by the Administering Authority. Only one payment of contributions, one schedule of deductions, and one monthly remittance will be accepted from each employer for each month. An employer running multiple payrolls for the same employer or weekly / fortnightly payrolls will be required to combine all data and all payments onto a single return and single payment for the month. Where the Administering Authority requires data to be returned in an electronic format (e.g. for iConnect), the Employer must comply with the formatting and submission requirements as specified by the Administering Authority.		
E	Year-End Provide the Administering Authority with a year-end schedule of all scheme member deductions and any other required information for the financial year, in a format determined by the Administering Authority.	By 30 April annually	100% compliance within the target
	Pensioners		
AA	Payslips: Every pensioner to receive a monthly pension advice payslip in the months of March and April. Thereafter, a hard copy payslip will be generated only where the net pension alters by ten pounds (£10) or more from the previous month.	March and April	100% compliance within the target
AA	Increases or decreases: Notify the pensioners of the increase or decrease and its effect on their pension by standard letter.	In the month of the payment increase or decrease	100% compliance within the target
	Advisory & Communications		
AA	Contact centre Answer phone calls and deal with queries from members and employers.	On working days between the hours of 9.00 am and 5.00 pm	100% compliance within the target
	Complaints		
AA	All complaints to be acknowledged. A full written response to a complaint must be sent to the complainant	Within 5 working days. Within 20 working days of its receipt by the Administering Authority, subject to all necessary information being available to enable a full response to be given. If all necessary information is not available a holding reply will be sent to the complainant which indicates when a full response will be provided.	100% compliance within the target

6. Pensions Administration Strategy - Schedule of Charging

The Administering Authority has the right to recover from the Employer any additional costs that it may incur because of an Employer's poor performance in respect of its obligations to the LGPS, which includes the Employer's inability to provide data in an accurate and timely manner to the Administering Authority.

It is expected that the Administering Authority will have constructive dialogue with any employer that is failing to meet any of its obligations under the LGPS. The final decision on whether to impose costs or charges rests with the Administering Authority. Employers have a duty to seek advice from the Administering Authority if they experience any difficulties in meeting their obligations. In accordance with the regulations the Administrating Authority will give the reasons for imposing any charges or recovering any additional costs in incurs.

In addition to the schedule below other circumstances could generate a charge:

- Instances where the performance of the Employer in respect of compliance with the LGPS regulations has resulted in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman, HMRC or other regulatory body.
- Additional cost incurred in providing specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.
- Persistent failure to resolve issues in a timely and satisfactory fashion.

In these circumstances the Administrating Authority will set out the calculations of any loss or additional cost incurred, in writing, stating the reason for the cost(s) and the basis for the calculation.

The following schedule identifies the standard charges that the Administering Authority may apply in cases associated with the administration of starters, transfers-in, leavers, transfers-out and the monthly submission of employee and employer pension contributions and schedule of deductions to the Administering Authority.

7. Further Information

Anerley Smith, Head of Payroll, Pensions and HR Systems
Email: anerley.smith@rbkc.gov.uk
Phone: 020 7361 2323

Administration Description	Performance Targets	Charge
New Starters and Transfers in		
New Scheme Member: Employer to send to the Administrating Authority the details of the new member	Within 25 working days after the start date	£50 per case
Leavers and Transfers out		
Scheme Leaver: Employer to send the Administrating Authority a completed leaver notification	Within 25 days from the employee's last day in the Scheme	£50 per case
Retirements: Employer to send the Administrating Authority a completed notification	Within 5 working days of the employee's retirement date.	£50 per case
Deductions		
Monthly deductions: Employer to send funds and a fully compliant remittance and schedule of deductions from salary to the Administering Authority, and an iConnect electronic submission (where required by the Administering Authority).	By the 19th day of the month following the month in which contributions were deducted	£100 per instance of late delivery per month £100 per instance of failure to provide a fully compliant remittance and/or schedule
Year-End Provide the Administering Authority with a year-end schedule of all scheme member deductions and any other required information for the financial year, in a format determined by the Administering Authority.	By 30 April annually	£100 per instance of late delivery £100 per instance of failure to provide a fully compliant year-end return.

Appendix 6 – Annual Report of the Local Pension Board 24/25

The role of the Local Pension Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The scheme regulations
- Other governance and administration legislation
- Any requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Local Pension Board is required to have an equal number of representatives from employers and scheme members. Other types of members such as independent experts are not precluded but will not have a vote. The Board currently comprises three employer representatives plus three scheme members representatives; one union representative, one deferred/retired member and one active member.

The law requires Local Pension Board members to have knowledge and understanding of relevant pension laws and to have a working knowledge of the LGPS, its governance and documentation. Members' focus should be on governance processes involved in running the fund, including regular review of policies and strategies to ensure compliance with the Pensions Regulator and best practice requirements are met. This is in distinct from the role of the Investment Committee which involves carrying out a decision-making function.

The Pension Board meetings are scheduled to align with the quarterly Investment Committee meetings, typically occurring shortly after. This allows the Board, when appropriate, to review the relevant papers and provide their comment or observations for consideration by the Investment Committee.

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from across a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

Elected Members

- Councillor David Lindsay (Chairman)
- Councillor Lloyd North

Appointees

- Ms Lynn Myers (Vice-Chair)
- Mr Kenneth Davison
- Ms Sohal Rawal
- Mr Jagdeep Birdi

During the year 2024/25 the Board met four times:

- 17 April 2024
- 15 July 2024
- 5 November 2024
- 26 February 2025

During the year, the Board had a varied and extensive work programme covering the following areas:

- The monitoring of quarterly fund investment performance
- Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register
- Pensions administration key performance indicators
- Business planning and Pension fund costs

The Board underwent the following training in the year:

The Board attended a half-day bespoke training events that took place in September 2023 and covered the following topics

- ➢ Introduction to the roles of committee and boards
- ➢ LGPS current development, including pooling consultation updates
- ➢ Actuarial valuation perspective and funding updates
- ➢ Responsible investment, including discussions on Divestment vs. Engagement
- ➢ Development of government requirements including pooling
- ➢ Pension Fund Governance and 2025 Actuarial Valuation
- ➢ The macro-economic outlook and long- term global outlook for markets
- ➢ Future of investment and technological development in AI