Annual Report
for the City of London Corporation
Pension Fund

Year ended 31 March 2018

Scheme Registration No. PSTR00330366RQ

City of London Corporation Annual Report
for the Pension Fund

Year ended 31 March 2018

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For further copies or for more information please contact:

The Chamberlain
City of London Corporation
Guildhall, PO Box 270
London EC2P 2EJ

MANAGEMENT AND FINANCIAL PERFORMANCE REPORT
For the year ended 31 March 2018

Scheme Registration Number: PSTR00330366RQ

Administering Authority: City of London Corporation
Guildhall, P.O. Box 270
London EC2P 2EJ

Scheme Administrator: Pensions Administration Service

Responsible Officers: Peter Kane MA, MSc, CPFA
Chamberlain of London

Caroline Al-Beyerty
Deputy Chamberlain of London

Kate Limna
Corporate Treasurer

Matt Mott
Pensions Manager - Administration

Tom Broughton
Group Accountant – Pensions & Treasury Management

Actuary: Barnett Waddingham LLP
163 West George Street
Glasgow G2 2JJ

Financial Investment Board Members: (Responsible for investment matters)

Member	**Attendance (7 meetings)**
Andrew Stratton McMurtrie, JP, (Chairman)	7
Nicholas Michael Bensted-Smith, JP (Deputy Chairman)	7
Alexander Robertson Martin Barr	5
Henry Nicholas Almroth Colthurst	5
Alderman Peter Lionel Raleigh Hewitt, JP, FCSI, FRSA (co-opted from November 2017, maximum possible attendances: 3)	0
Robert Picton Seymour Howard, (Alderman)	4
Deputy Jamie Ingham Clark	6
Deputy Clare James, MA	5
Tim Levene	4
Andrien Gereith Dominic Meyers	5
Deputy James Henry George Pollard	7
James de Sausmarez	5
Ian Christopher Norman Seaton	5
Deputy Philip Woodhouse	5

Secretary to the Committee: Joseph Anstee

Establishment Committee (Responsible for personnel and establishment matters)

Member	Attendance (8 meetings)
Deputy the Reverend Stephen Decatur Haines, MA (Chairman)	7
Deputy Edward Lord, OBE, JP (Deputy Chairman)	8
Randall Keith Anderson	8
Sir Mark Boleat	7
Deputy Keith David Forbes Bottomley	6
Alderman Peter Estlin	7
Deputy Kevin Malcolm Everett, DSc	5
Sophie Anne Fernandes	2
Deputy Jamie Ingham Clark	6
Jeremy Mayhew, MA, MBA	4
Sylvia Doreen Moys MBE	7
Deputy Joyce Carruthers Nash, OBE	7
Barbara Patricia Newman, CBE	7
Deputy Richard David Regan, OBE	4
Deputy Elizabeth Rogula	3
Ruby Sayed	5
Deputy Philip Woodhouse	7

Secretary to the Committee: Amanda Thompson

Local Government Pensions Board (Advisory Board)

Member	Attendance (4 meetings)
Alderman Ian David Luder JP BSc (Econ) (Chairman)	3
James Richard Tumbridge, (Deputy Chairman)	4
John Averns	4
Yvette Dunne	4
Christina McLellan	4
Martin Newnham	4

Secretary to the Committee: Chris Rumbles

Investment Managers:

Artemis Investment Management LLP
Cassini House, 57 St James's Street, London SW1A 1LD

C WorldWide Fund Management SA (formerly Carnegie Fund Services SA)
PO Box 1141 L-1011, Luxembourg

Lindsell Train Ltd
66 Buckingham Gate, London, SW1E 6AU

Majedie Asset Management Ltd
5th Floor, 10 Old Bailey, London, EC4M 7NG

Natixis International Funds (Harris Associates)
One Carter Lane, London, EC4V 5ER

Veritas Asset Management LLP
90 Long Acre, London WC2E 9RA

Wellington Management International
80 Victoria Street, London SW1

Pyrford International Plc
79 Grosvenor Street, London W1K 3JU

Ruffer LLP
80 Victoria Street, London SW1E 5JL

Standard Life Investments Ltd
1 George Street, Edinburgh EH2 2LL

Ares Management LLC (Private Equity)
2000 Avenue of the Stars 12th Floor Los Angeles California 90067

Coller International Partner VII LP
33 Cavendish Square, London W1G 0TT

Crestview Partners LLC (Private Equity)
667 Madison Avenue, New York, NY 10065

Environmental Technologies Fund Manager LLP (Private Equity)
20 Berkeley Square, London W1J 6EQ

Exponent Private Equity LLP,
12 Henrietta Street, London WC2E 8LH

Frontier Capital (Private Equity)
1111 Metropolitan Avenue - Suite 1050 - Charlotte, NC 28204

NCM Management (UK) Ltd (Barings English Growth Fund)
Schomberg House, 80-82 Pall Mall, London SW1Y 5HF

New Mountain Capital, LLC
Seventh Avenue, 49th Floor, New York NY 10019

SL Capital Partners LLP 1 George Street, Edinburgh EH2 2LL

Warburg Pincus LLC
450 Lexington Avenue, New York NY10017-3911

YFM Equity Partners Ltd
4 Cavendish Square, London, W1G OPG

IFM Global Infrastructure (UK) LP
3rd Floor, 60 Gresham Street, London EC2V 1BB

DIF Infrastructure IV Cooperatief U.A
WTC Schipol Airport, Tower D, 10th Floor
Schipol Boulevard 269, 1118 BH Schipol, Netherlands

Custodian & Performance Measurement:

Bank of New York Mellon
The Bank of New York Mellon Centre
One Canada Square
London EC14 5AL

Investment Consultant:
Mercer Ltd
Quartermile One, 15 Lauriston Place,
Edinburgh EH3 9EP

Bankers:
Lloyds Bank
City Office, P.O. Box 72, Bailey Drive,
Gillingham Business Park, Kent ME8 0LS

Legal Advisor:
Comptroller and City Solicitor
City of London Corporation, Guildhall, P.O. Box 270, London EC2P 2EJ

AVC Providers:
The Prudential Assurance Company Limited,
Laurence Pountney Hill, London, EC4R 0HH

Standard Life Assurance Ltd.
Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH

Equitable Life Assurance Society
Walton Street, Aylesbury, Buckinghamshire, HP21 7QW
(Closed to new contributors since 2000)

Independent Auditor:
BDO LLP
55 Baker Street
London WIU 7EU

Financial Performance

Introduction

The Fund account includes details of the contributions receivable by the Scheme and benefits payable. During 2017/18 there was a net inflow from dealings with Members of £5.2m (2016/17: Net Outflow £0.1m). Net returns on investments amounted to a gain of £24.9m (2016/17: gain of £171.4m) before investment management fees of £7.6m (£6.0m in 2016/17).

The net assets of the Fund as at 31 March 2018 amounted to £988.3m (2016/17: £966.7m). Further details are shown in the Fund Account and Net Assets Statement on page 26.

The most recent full triennial valuation into the financial position of the Fund was carried out as at 31 March 2016, in accordance with regulation 77(1) of the Local Government Pension Scheme Regulations 1997. The funding level of the Fund decreased from 85% at March 2013(the previous full triennial valuation) to 84% at March 2016. A summary of the funding position is provided on page 48.

The City of London Corporation invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund's Investment Consultant is Mercer Ltd.

During 2017/18 the Financial Investment Board decided to make combined commitment of £90m equally between three property funds – Aviva Investors Lime Property Fund, M&G Secured Property Income Fund and M&G UK Residential Property Fund. As at 31 March 2018 no capital had been drawn with the first drawdowns expected to take place over the coming financial year. As at 31 March 2018, twenty-three external Managers managed the Fund's investments:

- Artemis Investment Management Ltd (UK Equity)
- Lindsell Train Ltd (UK Equity)
- Majedie Asset Management Ltd (UK Equity)
- C WorldWide Fund Management SA (Global Equity)
- Natixis International Funds (Harris Associates – Global Equity)
- Veritas Asset Management LLP (Global Equity)
- Wellington Management International Ltd (Global Equity)
- Pyrford International Plc (Multi Asset)
- Ruffer LLP (Multi-Asset)
- Standard Life Investments Ltd (Multi Asset)
- IFM Global Infrastructure (UK) LP (Infrastructure)
- DIF Infrastructure IV Cooperatief U.A (Infrastructure)
- Ares Management LLC (Private Equity)
- Coller International Partners (Private Equity)
- Crestview Partners LLC (Private Equity)
- Environmental Technologies Fund Manager LLP (Private Equity)
- Exponent Private Equity LLP (Private Equity)
- Frontier Capital (Private Equity)
- NCM Management (UK) Ltd (Private Equity – Barings English Growth Fund)
- New Mountain Capital LLC (Private Equity)
- Standard Life Investments Private Equity Ltd (Private Equity)
- Warburg Pincus PE (Private Equity)
- YFM Partners (Private Equity)

Any surplus cash holding within the Pension Fund is managed internally.

The Pension Fund is a shareholder in London CIV Limited.

Tax Status

The Scheme is a ‘registered pension scheme’ for tax purposes.

Membership of Outside Bodies

The City is a member of the Pensions & Lifetime Savings Association (formerly the National Association of Pension Funds), the Local Authority Pension Fund Forum and the Pension Fund Investment Forum, meetings and conferences of which are usually attended by Members and/or Officers.

Risk Management

Risks in relation to the Pension Fund are included within the overall consideration of risk within the Chamberlain’s Department in accordance with the City of London Corporation’s risk management framework. The risks relating to the Pension Fund’s investments and administration are monitored and mitigated for separately, investment related risks are documented in the Financial Investment Board’s Risk Register along with the City of London Corporation’s other financial instruments, whilst risks pertaining to the administration of the fund are documented in the Local Government’s Pensions Board’s Risk Register.

SCHEME ADMINISTRATION REPORT

The City of London Pension Fund is part of the national Local Government Pension Scheme. The Fund is administered in-house by the City of London Corporation on behalf of the participating employers.

As at the end of March 2018 the City of London Pension Fund had:

- 10 active employers
- 4,001 pensioner members
- 4,623 active members
- 4,708 deferred members

The ten active employers include the City of London, the Museum of London, the Irish Society and the City Academy Southwark. Four Transfer Admitted Bodies are part of the City of London fund following the TUPE transfer of staff to a contractor, AMEY Enterprise, Agilisys and Cook & Butler). Teachers, Judges and Police Officers have their own pension schemes and are not included in the Fund.

The Pensions Team

All aspects of the pensions administration service is contained within one team entirely focused on pensions matters. The team structure delivers benefits as experience and skills are widely shared within the team, extending resilience and breadth of knowledge.

2017/18 has seen one team member on secondment to another section and a new staff member recruited to cover the secondment. One member of staff resigned, the post is currently vacant. Investment in the team has continued via internal and external courses and qualifications, formal training, mentoring and support. In March 2018 the new Pensions Administration Manager was appointed.

A standard appraisal process is operated across the team, linked into the Chamberlain's Department Business Plan. The team produces its own regular newsletter.

Pensions Administration Manager: Matt Mott Tel: 020 7332 1133
Pensions email: pensions@cityoflondon.gov.uk
Pensions Payroll email: pensionspayroll@cityoflondon.gov.uk
Website: http://www.yourpension.org.uk/CityofLondon

Administration Key Performance Indicators - 2017/18

Task	Target	CoL Result 2017/18	CoL Result 2016/17
Payment of actual retirement benefit	5 days	95.42%	94.02%
Process refund and make payment	5 days	99.18%	90.57%
Statement notifying estimate of retirement benefit	10 days	98.75%	97.69%
Letter detailing transfer-in credit	20 days	98.01%	88.67%
Transfer-out payment	20 days	100.00%	100.00%
Answer general correspondence	10 days	87.05%	84.32%
Payment of Death Grant	5 days	75.00%	94.19%
Letter notifying amount of dependant's benefits	5 days	81.00%	100.00%

The performance indicators are derived from the in-house pension's system software, which has a work flow measurement facility included.

The Local Government Pension Scheme

The Local Government Pension Scheme (or the LGPS) is a statutory pension scheme. This means that it is very secure as its benefits are defined and set out in law. The LGPS in brief:

- provides salary related defined benefits not dependent upon investment performance – ultimately the local authority, and local tax payers, are the final guarantors;
- is regulated by Parliament;
- is administered through 89 regional pension funds in England & Wales; and
- 5.3 million members nationally.

Scheme Benefits

The main provisions of the LGPS scheme are as follows:

- The scheme provides a guaranteed pension. The scheme from the 1st April 2014 became a Career Average Revalued Earnings (CARE) scheme with benefits building at a rate of 1/49th of Pay plus an annual revaluation in line with increase in CPI. The Final Salary link was retained for all benefits prior to 31 March 2014 (1/60th of final pay for each year of membership in the scheme after 31 March 2008 and membership to 31 March 2008 calculated as 1/80th pension plus 3/80ths lump sum).
- Up to 25% of the capital value of benefits can be taken as a lump sum by commutation using the 12:1 commutation rate, i.e. for every £1 of pension given up the member gets £12 lump sum on retirement.
- Benefits prior to 31 March 2014 continue to be calculated on final pay, being the best one of the last three years' pay.
- Retirement age for future benefits is now State Pension Age, with protections for older members, but with the right to take pension from age 55 with a reduction for early payment.
- Flexible retirement with employer consent is permitted from age 55.
- Immediate payment of pension benefits following redundancy / efficiency retirement on or after age 55.
- A three-tier ill health benefits system.
- A death grant of three times pay for death in service; five times pension if a deferred beneficiary dies; and 10 times pension less pension already paid if a pensioner dies before age 75.
- Spouses' and Civil Partners pensions are generally based on a 1/160th accrual rate. Co-habiting partners pension will also be based on a 1/160th accrual rate but on post 5 April 1988 membership only.
- Members can buy extra scheme pension up to a maximum of £6,822 or they can pay in to an Additional Voluntary Contribution (AVC) plan.
- Employers can grant extra pension of up to £6,822.
- Trivial pensions may be commuted into a single lump sum payment in accordance with HMRC rules.

Membership

Employees must normally have a contract of employment for three months or more in order to be eligible for membership. Membership of the Scheme is then compulsory but eligible employees are free to choose whether to remain in the Scheme or make their own personal pension arrangements outside the Scheme.

Contributions

Employees and employers contribute to the scheme.

Employees:

Members of the LGPS pay a contribution rate dependant on the salary band they fall in to.
The contribution rate employees pay depends on their salary. The bands and contribution rates for 2017/18 are set out in the table below.

Band Range Contribution Rates:

Band	Range	Contribution Rate
1	£0 - £13,700	5.5%
2	£13,701 - £21,400	5.8%
3	£21,401 - £34,700	6.5%
4	£34,701 - £43,900	6.8%
5	£43,901- £61,300	8.5%
6	£61,301- £86,800	9.9%
7	£86,801- £102,200	10.5%
8	£102,201- £153,300	11.4%
9	over £153,301	12.5%

There is also a 50/50 section of the scheme where members can elect to pay half the above contributions for a return of half the normal benefit accrual.

Employers:

The contribution rates paid by employers are variable and are determined by the Pension Fund's Actuary.

Communications during the Year

- Annual Benefits Statements were issued to all active and deferred members.
- Newsletters
- Pre-retirement seminars were presented to scheme members approaching retirement.
- Introduction to Pensions Insight lunch-time sessions were run with the aim of providing new entrants with information about the LGPS.
- Insight lunches were also run covering "top-up" options available.
- Information, forms and useful links to websites providing further information on the LGPS were maintained on the City of London's pension's website.

Appeals

A problem or question about LGPS membership or benefits should initially be addressed to the Pensions Administration Manager at the address stated on page 3. The Pensions Administration team then seeks to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.
If an employee or ex-employee is still dissatisfied with any decision made in relation to the Scheme they have the right to have their complaint independently reviewed under the Internal Disputes Resolution Procedure.

Internal Dispute Resolution Procedure (IDRP)

The dispute procedure is in two stages. Each stage must be completed before moving on to the next:

First Stage

This involves referring the case to the specified person within six months of a decision. This is a person appointed by the employer - but he/she will have had no previous involvement in the case. If he/she feels the complaint is justified, he/she will issue a new decision, which will be binding on the scheme administrators. However, he/she can only overturn the original decision if in his/she opinion it was legally incorrect.

Second Stage

If the individual is not satisfied with the specified person's decision, the second stage is to make a written appeal, within six months, to the administering authority. Like the specified person, the administering authority can only correct legal errors. The decision would normally be made within two months and once again it would be binding on the scheme.

In 2017/18 there were two IDRP appeal cases one was not allowed at Stage 1 and one recommended the employer to review the details. There were no Stage 2 appeals.

If an appellant remains dissatisfied, they can refer their case to the Pensions Ombudsman, whose address is 11 Belgrave Road, London SW1V 1RB. The Ombudsman is less restricted in his powers and can consider wider issues than the strictly legal ones, such as whether a case has been handled fairly or reasonably. However, all stages of the IDRP must be dealt with before he would consider a case.

No appeals were made to the Ombudsman.

Further Assistance

The Pensions Advisory Service (TPAS) is a free and independent advisory service specifically designed to help people with their pension problems. TPAS may be contacted directly at 11 Belgrave Road, London SW1V 1RB, telephone 0300 123 1047.

The Pensions Regulator is the regulator of work-based pension schemes. The Pensions Regulator has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. The Pensions Regulator can be contacted at Napier House, Trafalgar Place, Brighton BN1 4DW, telephone 0345 600 5666.

The Pensions Ombudsman: In cases where a complaint or dispute cannot be resolved after the intervention of TPAS or TPR, an application can be made, within three years of the event, to the Pensions Ombudsman for adjudication. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law and his or her decision is final and binding. Matters where legal proceedings have already started cannot be investigated. The Pensions Ombudsman can be contacted at the address above or telephone 0207 630 2200.

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants), who have lost touch with previous employers. All occupational and personal pension schemes have to register if the pension scheme has current members contributing into their scheme or people expecting benefits from the scheme. The Pension Tracing Service launched a new website in 2016 for members to trace their pension benefits; https://www.gov.uk/find-pension-contact-details. The tracing service can be contacted at: The Pension Tracing Service, The Pension Service, 9 Mail Handling Site A, Wolverhampton, WV98 1LU, telephone 0345 6002 537.

STATEMENT OF RESPONSIBILITIES for the STATEMENT OF ACCOUNTS

The City of London's Responsibilities

The City of London 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. This officer is the Chamberlain.

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

- approve the Statement of Accounts

The Chamberlain of London's Responsibilities

The Chamberlain is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

- selected suitable accounting policies and then applied them consistently;

- made judgments and estimates that were reasonable and prudent;

- complied with the local authority code.

The Chamberlain has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chamberlain’s Certificate

I certify that the Statement of Accounts present fairly the financial position of the Pension Fund of the City of London at 31 March 2018 and its income and expenditure for the year then ended.

Peter Kane
Chamberlain of London
Date: 27 June 2018

Adoption of the Pension Fund Accounts

The Pension Fund Accounts were approved by the Finance Committee on 24 July 2018 and signed on its behalf by:

Jeremy Mayhew
Chairman of the Finance Committee
24 July 2018

Jamie Ingham Clark FCA, Deputy
Deputy Chairman of the Finance Committee
24 July 2018

INDEPENDENT AUDITOR’S STATEMENT TO THE MEMBERS OF THE CITY OF LONDON CORPORATION ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion on the consistency of the pension fund financial statements with the Statement of Accounts

We have examined the pension fund financial statements of City of London Corporation (“the pension fund”) for the year ended 31 March 2018, which comprise the fund account, the net assets statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the Statement of Accounts of City of London Corporation for the year ended 31 March 2018.

Respective responsibilities of the Chamberlain and City of London Corporation (“the Corporation”) and the auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chamberlain is responsible for the preparation of the Statement of Accounts, which comprise the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. The City of London Corporation is required to publish a pension fund annual report that includes the pension fund financial statements.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the Statement of Accounts of City of London Corporation.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the management and financial performance report, scheme administration report, actuarial valuation report on the fund, policy and governance compliance statement, benchmarking report, funding strategy statement, investment strategy statement, and the communications policy statement.

We conducted our work in accordance with Auditor Guidance Note 07 Auditor Reporting issued by the National Audit Office. Our report on the City of London Corporation’s Statement of Accounts describes the basis of our opinions on those financial statements.

Use of our report

This report is made solely to the members of City of London Coporation, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the City of London Corporation 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 City of London Coproration and the Corporation’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor
London, UK

31 July 2018
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ACTUARY'S STATEMENT AS AT 31 MARCH 2018

26 April 2018
Barnett Waddingham

Introduction

The last full triennial valuation of the City of London Corporation Pension Fund ("the Fund") was carried out as at 31 March 2016 as required by Regulation 62 of the Local Government Pension Scheme Regulations 2013 and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2017.

2016 valuation results

The 2016 valuation certified an average primary contribution rate of 12.8% of pensionable pay to be paid by each employing body participating in the City of London Corporation Pension Fund. In addition to this, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Contribution rates

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

- The annual accrual of benefits allowing for future increases to accrued pensions and pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £796.3m which represented 84% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment. The market value of the Fund's assets as at 31 March 2016 was £802.2m.

Assumptions

The assumptions used to value the benefits at 31 March 2016 are summarised below:

Assumption	31 March 2016
Discount rate	5.7% p.a.
Pension increases (CPI)	2.4% p.a.
Salary increases	CPI until 2020 and 3.9% p.a. thereafter
Mortality	S2PA tables with a multiplier of 80% for males and 85% for females with projected improvements in line with the 2015 CMI model allowing for a long-term rate of improvement of 1.5% p.a.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased slightly due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be slightly higher than at 31 March 2016 although the ongoing cost is likely to have increased due to lower real discount rates.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required to be paid by the employers will take effect from 1 April 2020.

Graeme Muir FFA
Partner, Barnett Waddingham LLP

POLICY AND GOVERNANCE COMPLIANCE STATEMENT

The Scheme

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.

The Local Government Pension Scheme (LGPS) was established in accordance with statute to provide death and retirement benefits for all eligible employees. The LGPS is a funded scheme, with employee contribution rates ranging from 5.5% to 12.5% and employer rates being variable depending on the funding level assessed every three years by the fund actuary. Benefits are defined in law and inflation-proofed in line with increases in the Consumer Price Index (CPI) for September. The scheme is operated by designated administering authorities - each maintains a fund and invests monies not needed immediately. The Court of Common Council is a designated administering authority

The Financial Investment Board

The Court of Common Council and the Investment Committee have delegated the investment management of the scheme to the Financial Investment Board which decides on the investment policy most suitable to meet the liabilities of the scheme and has ultimate responsibility for the investment strategy. The Court of Common Council is responsible for appointing Members to serve on the Investment Committee, which in April of each year makes appointments to its Financial Investment Board. The Financial Investment Board comprises twelve to fourteen Members of the Investment Committee.

The Financial Investment Board operates under a framework of corporate governance and undertakes its responsibilities with reference to the Standing Orders and Financial Regulations adopted by the Court of Common Council which prescribe all activities relating to the conduct of its business.

The Board's responsibilities with regard to the Pension Fund are:

- to approve the appointment of and to monitor the performance of Investment Managers;
- to review the investment strategy for the securities investments;
- to authorise investments and approve the overall parameters within which the Investment Fund Managers will be authorised to operate;
- to invest all new monies;
- to invest such other sums as are from time to time allocated for this purpose; and
- to monitor the activities of the Chamberlain in connection with his treasury management role.

All meetings of the Board are open to the public, although they are excluded when confidential matters on the agenda are discussed. Currently, the Board meets six to seven times a year. Additional special meetings of the Board can be held if the need arises. The minutes of the Financial Investment Board are presented to the following meeting of the Investment Committee and are posted on the City of London Corporation's website.

The principal officers of the City of London Corporation have certain statutory and formal responsibilities. The Financial Investment Board obtains and considers advice from the Chamberlain and other Corporation Officers, and as necessary from the Fund actuary, the independent investment adviser and its Investment Managers. The Board has delegated the management of the Pension Fund's investments to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

The composition of the Financial Investment Board does not include representatives of Scheduled Bodies, Admitted Body employers, Unions or Employees, or Pensioners. Also, in view of the experience and expertise across the Board, its Members do not at present generally undertake 'Trustee Training'.

The Board reviews this policy statement annually, with a revised document being re-published following any material change in the above arrangements.

An assessment of the City of London Corporation’s Compliance with best practice principles as set out by the Department for Communities and Local Government follows.

The Pensions Board

With effect from 1 April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pensions Board to assist them. The City of London Corporation Pensions Board was established by the Court of Common Council on 5 March 2015.

The role of the Pensions Board is to assist the administering authority with scrutinising the adequacy of arrangements in place to meet the requirements of scheme regulations and the extent to which local policy and guidance is fit for purpose. The Board does not have a decision making role in relation to management of the Fund, but is able to make recommendations to the Financial Investment Board. In line with the requirements of the Public Services Pensions Act 2013 for the management of the City of London Corporation’s Pension Scheme, the Board will be responsible for assisting the Scheme Manager (the City of London Corporation) in the following matters:

a) Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that it is connected to;
b) Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
c) Other such matters as the scheme regulations may specify.

The membership of the Board is as follows:

- Three employer representatives comprising one Senior Officer and two Common Councilmen
- Three scheme members representatives for the Pension Fund.
- Provision will also be made to enable the Board to co-opt an independent advisor in addition to the substantive six members, should this be required or considered beneficial to the Board.

All Members of the Board will be eligible to stand as Chairman and Deputy Chairman and to vote on the election to these positions. To allow reports on the work of the Committee to be made to the Court of Common Council, either the Chairman or Deputy Chairman must be a Member of the Court of Common Council. The quorum of the Board will consist of three Members, including one employer representative and one scheme member representative. The Board will meet a minimum of twice a year except for the year of inauguration which will incorporate three meetings.

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. This statement will be kept under review and updated as required.

CITY OF LONDON CORPORATION PENSION FUND
ASSESSMENT OF COMPLIANCE WITH CLG BEST PRACTICE PRINCIPLES

	Principle	Narrative from Guidance Note	Compliance?
A	Structure	*(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.*	Yes, although there is a split committee responsibility. Management and administration of benefits rests with Establishment Committee. Investment management is responsibility of the Financial Investment Board.
		(b) 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.	No. Representatives of scheduled bodies, admitted body employers, unions, employees or pensioners are not included on either Establishment or Financial Investment Board. The Pensions Board has three employer representatives and three scheme member representatives.
		(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable. Reports and decisions are communicated between Committees as appropriate (either by minutes or resolution).
		(d) 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 As no secondary committee or panel exists.

	Principle	Narrative from Guidance Note	Compliance?
B	Representation	*(a) 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)	No - Representatives of scheduled or admitted bodies, scheme members or pensioners are not included in committee structure but do have equal access to all non-confidential papers and meetings.
		(ii) scheme members (including deferred and pensioner scheme members)	
		(iii) where appropriate, independent professional observers	No - Fund does not have independent professional observer
		(iv) expert advisers	Yes - The investment consultant, Mercer Ltd, attends all meetings of the Financial Investment Board.
C	Selection and Role of Lay Members	*(a) 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.(It is the role of the administering authority to make places available for lay members (i.e. non-elected members representing other employers or stakeholders) and for the groups to nominate the representatives. The lay members are not there to represent their own local, political, or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times.)* *(b) 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.*	No - not applicable as lay members are not currently included in the composition of either the Establishment Committee or the Financial Investment Board. Yes - this is standard practice at all Committee meetings.

	Principle	Narrative from Guidance Note	Compliance?
D	Voting	*(a) 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.*	Yes - Each member holds one vote on the respective committee. No other bodies or groups are represented.
E	Training / Facility Time / Expenses	*(a) 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.* *(b) 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.* *(c) that the administering authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken.*	Yes - Members are generally well versed in investment matters and there is no formal training policy, although individual sessions are conducted on request.
F	Meetings - Frequency	*(a) that an administering authority's main committee or committees meet at least quarterly.*	Yes
		(*b) 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.*	We have two Committees responsible for Pensions Administration and Investments, not a single main Committee.
		(c) that an administering authority 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.	Not applicable as no outside forum exists.

	Principle	Narrative from Guidance Note	Compliance?
G	Access	(a) *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.*	Yes - Agenda papers, etc., provided to the Establishment and Financial Investment Board are available to all Members.
H	Scope	(a) *that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.*	Partial – Whilst the Fund does not currently use independent professional observers, officers monitor and advise on governance issues and report to the appropriate committee
I	Publicity	(a) *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.*	Partial - Governance Statements and Annual Accounts are posted on the City of London website and policy documents and information is circulated to scheme members on a regular basis.

FUND ACCOUNT AND NET ASSET STATEMENT
for the year ended 31 March 2018

Pension Fund Accounts and Explanatory Notes

Fund Account for the year ended 31 March 2018

2016/17 £m		Notes	2017/18 £m
	Contributions and benefits		
(32.3)	Contributions receivable	7	(39.2)
(8.7)	Transfers in		(8.7)
(0.9)	Pension Strain		(0.3)
(41.9)			(48.2)
40.2	Benefits Payable	8	40.9
1.8	Payments to and on account of leavers	9	2.1
42.0			43.0
0.1	**Net deductions from dealing with members**		(5.2)
6.8	Management Expenses	10	8.5
6.9	**Net (additions)/deductions including fund management expenses**		3.3
	Returns on investments		
(0.6)	Income from Investments	12	(2.8)
(170.8)	Change in market value of investment (realised and unrealised)	13	(22.1)
(171.4)	**Net Gain on Investment excluding management expenses**		(24.9)
(164.5)	**Net increase in the fund during the year**		(21.6)
(802.2)	Opening net assets of the scheme		(966.7)
(966.7)	**Closing net assets of the scheme**		**(988.3)**

Net Assets Statement as at 31 March 2018

31 March 2017 £m		Notes	31 March 2018 £m
(965.0)	Investment assets	12	(982.3)
(0.2)	Long Term Investments		(0.2)
	Current Assets	19	
(0.3)	Debtors		(0.1)
(2.3)	Cash and cash equivalents		(6.7)
	Current liabilities	20	
1.1	Creditors		1.0
(966.7)	**Net assets**		**(988.3)**

1. Description of the City of London Pension Fund

The City of London Pension Fund is part of the LGPS and is administered by the City of London. The City of London is the reporting entity for this pension fund.

The City of London Pension Fund is a funded defined benefits scheme established in accordance with statute. With the exception of serving police officers, teachers and judges who have their own schemes, all City of London staff are eligible for membership of the Local Government Pension Scheme (LGPS).

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. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is administered internally by the City of London. The Fund's investments are managed externally by several fund managers with differing mandates determined and appointed by the City of London.

2. Membership of the Fund

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 City of London Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which 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:

	31 March 2018				31 March 2017
	Current Contributors No.	Beneficiaries in Receipt of Pension No.	Deferred Benefits No.	Total No.	Total No.
ADMINISTERING AUTHORITY					
City of London Corporation	4,252	3,709	3,948	11,909	11,500
SCHEDULED BODIES:					
Museum of London	249	239	595	1,083	1,034
Magistrates Court	-	20	16	36	37
Multi Academy Trust*	3	-	-	3	-
	252	259	611	1,122	1,071
ADMITTED BODIES:					
Irish Society	4	11	2	17	17
City Arts Trust	-	1	-	1	1
Parking Committee for London	-	5	7	12	12
Guildhall Club	-	4	5	9	10
City Academy - Southwark	82	5	105	192	182
Sir John Cass (Brookwood)	-	-	2	2	2
AMEY (Enterprise)	6	5	3	14	14
Eville and Jones	-	-	1	1	1
London CIV	11	-	6	17	11
Westminster Drugs Project	2	-	1	3	3
Agilysis	12	1	12	25	25
Agilysis (police)	-	1	2	3	3
Bouygues (EDTE)	-	-	2	2	2
Cook & Butler	2	-	-	2	2
1SC Guarding Limited	-	-	1	1	1
	119	33	149	301	286
TOTAL	**4,623**	**4,001**	**4,708**	**13,332**	**12,857**

3. Accounting Policies

i. The pension fund statements have been prepared in accordance with the following Regulations: the LGPS Regulations 2013 (as amended), the LGPS (Transactional Provisions, Savings and Amendments) Regulations 2014 (as amended), the LGPS (Management and Investment of Funds) Regulations 2016; and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 having regard to the Statement of Recommended Practice, Financial Reports of Pension Schemes (2015).

ii. The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.

iii. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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

v. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

vi. Acquisition costs are included in the purchase costs of investments.

vii. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

viii. The cost of administration is charged directly to the fund.

ix. Income from investments is accounted for on an accruals basis. Investment income arising from the underlying investments of the Pooled Investment Vehicles is typically reinvested within the Pooled Investment Vehicles and reflected in the unit price.

x. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

xi. Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xii. Under the rules of the Scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

xiii. Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

xiv. Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

xv. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the most recent available equivalent trailing reporting period is used for inclusion in the fund account.

4. Critical Judgements in applying Accounting Policies

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 18.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5. 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 date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2018 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 (Note 18)	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £30m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3m • a one-year increase in assumed life expectancy would increase the liability by approximately £61m.
Private equity investments (Note 13)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £29m in the financial statements. There is a risk that this investment may be under or overstated significantly.
Infrastructure investments (Note 13)	Infrastructure investments are valued using assumptions about the Fund's underlying equity and debt instruments cash flow forecasts and discount rates.	Infrastructure investments are valued at £58m in the financial statements. There is a risk that this investment may be under or overstated significantly.

6. Events after the reporting date

In July 2018, the Pension Fund disinvested from the Standard Life multi-asset fund, and re-invested in CQS Investment Management Limited (a multi-asset credit manager) via the London CIV.

7. Contributions Receivable

2016/17 £m			2017/18 £m
	Employers:		
(20.8)	Administering Authority	City of London	(26.9)
(1.1)	Scheduled bodies	Museum of London	(1.2)
-		Multi-Academy Trust*	-
(0.1)	Admitted bodies	Agilysis	(0.1)
(0.3)		City Academy – Southwark	(0.3)
(0.2)		Other	(0.3)
(22.5)			(28.8)
	Employees of:		
(9.0)	Administering Authority	City of London	(9.5)
(0.5)	Scheduled bodies	Museum of London	(0.6)
-		Multi-Academy Trust*	-
(0.1)	Admitted bodies	Agilysis	(0.1)
(0.1)		City Academy - Southwark	(0.1)
(0.1)		Other	(0.1)
(9.8)			(10.4)
(32.3)	**Total Contributions**		**(39.2)**

8. Benefits Payable

2016/17 £m	Total Benefits Paid	2017/18 £m
	Retired Employees	
30.6	Pensions	31.6
5.6	lump sums	4.9
0.8	Lump sum on death	1.1
3.1	Widows' or Widowers' pensions	3.2
0.1	Children's pensions	0.1
40.2		**40.9**

2016/17 £m		2017/18 £m
	Benefits Paid Comprises	
37.9	Administering Authority	38.1
2.0	Scheduled Bodies	2.5
0.3	Admitted Bodies	0.3
40.2		**40.9**

9. Payments to and on account of leavers

2016/17 £m		2017/18 £m
1.8	Individual Transfers Out	**2.1**

10. Management expenses

2016/17 £m		2017/18 £m
0.7	Administration expenses	0.7
0.1	Oversight and Governance*	0.2
6.0	Investment Management Expenses	7.6
6.8		**8.5**

*Includes audit fees of £21,000 that have been charged to the Pension Fund (2016/17: £21,000).

a. Investment Management Expenses

2016/17 £m		2017/18 £m
5.5	Management fees	6.1
0.5	Performance related fees	1.5
6.0		**7.6**

11. Income from investments

2016/17 £m		2017/18 £m
(0.3)	Global Equities	-
(0.1)	Private Equity	(0.1)
(0.2)	Infrastructure	(2.7)
(0.6)		**(2.8)**

The Pension Fund's investment policies are focussed on capital accumulation in pooled vehicles and private equity investments. Dividends and interest are typically retained at pool level. Where any shortfall of the Net Deductions on Contributions and Benefits Paid was previously covered by investment income, it is intended that the Fund will sell holdings in the pooled vehicles, as necessary, to cover any shortfalls. There are no limitations imposed by the fund managers on the selling of these pooled vehicle funds.

12. Investment Assets

a. Reconciliation of movements in Investments

The table below shows the movement in Market Values by asset type between 1 April 2017 and 31 March 2018.

	Market Value at 01/04/2017 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Market Value at 31/03/2018 £m
Managed Investments					
Pooled Units					
UK	(168.3)	-	1.0	(7.5)	(174.8)
Global	(726.9)	-	13.3	(6.8)	(720.4)
Long Term Investments	(0.2)	-	-	-	(0.2)
Private Equity	(20.9)	(9.7)	4.2	(2.8)	(29.2)
Infrastructure	(48.4)	(10.0)	5.5	(5.0)	(57.9)
Total Managed Investments	**(964.7)**	**(19.7)**	**24.0**	**(22.1)**	**(982.5)**
Accrued Income	(0.5)				(0.1)
Investment Receivable	-				-
Investment Liability	-				-
Total Investment assets	**(965.2)**				**(982.6)**

A comparison is provided in the table below for the Market Values between 1 April 2016 and 31 March 2017.

	Market Value at 01/04/2016 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Market Value at 31/03/2017 £m
Managed Investments					
Pooled Units					
UK	(146.6)	(64.3)	70.2	(27.6)	(168.3)
Global	(605.3)	-	7.8	(129.4)	(726.9)
Long Term Investments	(0.2)	-	-	-	(0.2)
Private Equity	(15.3)	(5.2)	4.5	(4.9)	(20.9)
Infrastructure	(32.6)	(8.3)	1.4	(8.9)	(48.4)
Total Managed Investments	**(800.0)**	**(77.8)**	**83.9**	**(170.8)**	**(964.7)**
Accrued Income	(1.2)				(0.5)
Investment Receivable	(0.2)				-
Investment Liability	0.2				-
Total Investment assets	**(801.2)**				**(965.2)**

b. Investments analysed by fund manager

	Value at 01/04/2017 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Value at 31/03/2018 £m
Managed Investments					
Equity Pooled Vehicles :					
Artemis	(87.8)	-	0.7	(4.7)	(91.8)
C Worldwide	(116.5)	-	2.6	(5.2)	(119.1)
Harris	(97.7)	-	0.8	(3.2)	(100.1)
Lindsell Train	(39.4)	-	0.3	(3.6)	(42.7)
Majedie	(41.1)	-	-	0.7	(40.4)
Veritas	(119.9)	-	3.3	1.4	(115.2)
Wellington	(108.1)	-	0.6	(1.2)	(108.7)
Multi-Asset Pooled Vehicles :					
Pyrford	(131.5)	-	5.5	2.3	(123.7)
Ruffer	(86.0)	-	0.5	0.3	(85.2)
Standard Life	(67.2)	-	0.0	(1.1)	(68.3)
Long Term Investments					
London CIV	(0.2)	-	-	-	(0.2)
Private Equity Funds :					
Ares	(1.0)	(1.3)	0.1	0.2	(2.0)
Coller	(0.6)	(1.7)	0.1	(0.3)	(2.5)
Crestview	(1.4)	(0.3)	-	(0.1)	(1.8)
Environmental Technologies	(0.5)	-	-	0.1	(0.4)
Exponent	(1.8)	(1.3)	0.1	(0.7)	(3.7)
Frontier	(2.0)	(1.8)	0.1	(0.1)	(3.8)
New Mountain	(3.6)	(1.2)	0.8	(0.3)	(4.3)
Standard Life	(7.1)	(0.3)	2.7	(1.3)	(6.0)
Warburg Pincus	(1.5)	(1.7)	0.1	0.0	(3.1)
Yorkshire Fund Managers	(1.4)	(0.1)	0.1	(0.2)	(1.6)
Infrastructure Funds:					
DIF	(10.9)	(10.0)	0.7	(2.4)	(22.6)
IFM	(37.5)	-	4.9	(2.7)	(35.3)
Total Investments	**(964.7)**	**(19.7)**	**24.0**	**(22.1)**	**(982.5)**

13. Fair Value – Basis for Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Item	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity Funds (UK and Global)	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled Investments – Multi-Asset Funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity Valuation Guidelines.	Latest available audited NAV	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Infrastructure Funds	Level 3	Discounted Cashflows applied to equity and debt instruments. The Funds determine fair value for these securities by engaging external valuation services.	Latest available audited NAV	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

a. Fair Value Hierarchy

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

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 must be traded in active markets, this includes quoted equities, quoted fixed securities, quoted index linked securities and exchange traded unit trusts.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. Products classified as level 2 comprise open ended pooled investment vehicles which are not exchange traded, unquoted bonds and repurchase agreements.

Level 3

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. Such instruments would include private equity investments and infrastructure funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrastructure funds are based on valuations provided by the general partners to the private equity funds in which City of London Pension Fund has invested.

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 typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Guidance released by the Pensions Research Accountants Group (PRAG) in 2016 provides further clarification on the classification of Pooled Investment Vehicles as level 1, 2 and 3. Pooled funds that are not quoted on an exchange are classed as level 2, as these do not meet the definition of level 1 investment: *The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.*

Values as at 31March 2018

	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Fair value through profit and loss	-	(895.2)	(87.3)	(982.5)
Loans and receivables	(0.1)	-	-	(0.1)
Net Financial Assets	**(0.1)**	**(895.2)**	**(87.3)**	**(982.6)**

Values as at 31 March 2017

	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Fair value through profit and loss	-	(895.2)	(69.5)	(964.7)
Loans and receivables	(0.5)	-	-	(0.5)
Net Financial Assets	**(0.5)**	**(895.2)**	**(69.5)**	**(965.2)**

b. Reconciliation of Fair Value Measurements within level 3

The table below shows the movements in Level 3 disclosures for 2017/18.

Disclosures for Level 3	Market Value at 01/04/2017	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales	Unrealised (Gains)/Losses	Realised (Gains)/Losses	Market Value at 31/03/2018
	£m	£m	£m	£m	£m	£m	£m	£m
Private Equity	(20.9)	-	-	(9.7)	4.2	(1.4)	(1.4)	(29.2)
Infrastructure	(48.4)	-	-	(10.0)	5.5	(4.6)	(0.4)	(57.9)
Long-Term Investment	(0.2)	-	-	-	-	-	-	(0.2)
Total Level 3	**(69.5)**	**-**	**-**	**(19.7)**	**9.7**	**(6.0)**	**(1.8)**	**(87.3)**

14. Financial Instruments

a. Classification of Financial Instruments

31 March 2017 £m				31 March 2018 £m		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Financial Assets	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
			Managed Investments			
(895.2)	-	-	Pooled Investments	(895.2)	-	-
-	(0.2)	-	Long Term Investments	-	(0.2)	-
(20.9)	-	-	Private Equity	(29.2)	-	-
(48.4)	-	-	Infrastructure	(57.9)	-	-
-	(2.3)	-	Cash	-	(6.7)	-
-	(0.5)	-	Other Investment Balances	-	-	-
-	(0.3)	-	Debtors	-	(0.1)	-
(964.5)	(3.3)	-		(982.3)	(7.0)	-
			Financial Liabilities			
-	-	1.1	Creditors	-	-	1.0
-	-	1.1		-	-	1.0
(964.5)	(3.3)	1.1	**Total**	**(982.3)**	**(7.0)**	**1.0**
(966.7)			**Grand total**	**(988.3)**		

b. Net (Gains) and Losses on Financial Instruments

31 March 2017 £m		31 March 2018 £m
	Financial Assets	
(170.8)	Fair value through profit and loss	(22.1)
(170.8)		**(22.1)**

15. Risk and Risk Management

The Pension Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

The fund's investments are actively managed by ten main external fund managers who are charged with the responsibility to increase asset values, whilst maintaining market risk to acceptable levels. They achieve this mainly through diversification of stock portfolios across several geographical locations, various industrial sectors and asset classes. The managers' investing practices are controlled by pre-defined levels of tolerance.

Concentration risk is also controlled and monitored with a maximum proportion cap over the levels held in individual stocks as a set percentage of each manager's overall portfolio of stocks. As part of each of the external fund managers' investing there is also a strict adherence to the principles of liquidity risk management in order to ensure cash flow requirements are met as and when they fall due.

All of the investing policies and practices are reviewed regularly after thorough consideration of economic and market conditions, and overall care is taken to identify, manage and control exposure to the price movements of several categories of investments.

16. Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, Mercer Ltd, the City of London Corporation has determined that the movements in market price risk set out in the table below are reasonably possible for the 2017/18 reporting period. The potential price changes disclosed below is consistent with a multi-year one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Potential Market Movements (% Change)

Asset Type	31 March 2017	31 March 2018
Developed market global equities	17.05%	16.70%
Emerging market global equities	29.00%	28.50%
Hedge funds (proxy for Multi-asset funds)	7.60%	7.50%
Private Equity	24.30%	24.20%
Unlisted infrastructure	15.00%	14.80%

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Price Risk (as at 31 March 2018)

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Developed market global equities	589.5	16.70%	687.9	491.1
Emerging market global equities	28.7	28.50%	36.9	20.5
Hedge funds (proxy for Multi-asset funds)	277.2	7.50%	298.0	256.4
Private Equity	29.2	24.20%	36.3	22.1
Unlisted infrastructure	57.9	14.80%	66.5	49.3
Total Assets	**982.5**		**1,125.6**	**839.4**

Price Risk (as at 31 March 2017)

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Developed market global equities	606.5	17.05%	709.9	503.1
Emerging market global equities	4.1	29.00%	5.3	2.9
Hedge funds (proxy for Multi-asset funds)	284.8	7.60%	306.4	263.2
Private equity	20.9	24.30%	26.0	15.8
Unlisted infrastructure	48.4	15.00%	55.7	41.1
Total Assets	**964.7**		**1,103.3**	**826.1**

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. The pooled multi-asset investments are indirectly subject to interest rate risks, as underlying holdings include fixed income instruments, and this represent the risk that the fair value or these financial instruments will fluctuate because of changes in market interest rates. Fund managers have the discretion to manage interest risk exposure through the use of derivatives.

The fund's indirect exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Bonds and cash balances are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

31st March 2018

Assets exposed to interest rate risk	**Value £m**	**Change %**	**Value on Increase £m**	**Value on Decrease £m**
Cash & Cash Equivalents	6.7		6.7	6.7
Bonds	129.5	1.00%	130.8	128.2
Total	**136.2**		**137.5**	**134.9**

31st March 2017

Assets exposed to interest rate risk	**Value £m**	**Change %**	**Value on Increase £m**	**Value on Decrease £m**
Cash & Cash Equivalents	2.3		2.3	2.3
Bonds	140.9	1.00%	142.3	139.5
Total	**143.2**		**144.6**	**141.8**

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 owned directly or through a pooled structure, that are denominated in any currency other than the functional currency of the fund (UK sterling). The following table summarises the position as at 31 March 2018. Following analysis of historical data, the fund custodian BNY Mellon have provided the currency exposure and volatility data included in the table below.

Currency Risk (as at 31 March 2018)

The following analyses show a comparison of the sensitivities as at 31 March 2018.

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollars	7.1	3.50%	7.3	6.9
Brazilian Real	1.7	5.82%	1.8	1.6
Canadian Dollars	1.1	2.82%	1.1	1.1
Columbian Peso	0.4	4.78%	0.4	0.4
Czech Koruna	0.3	2.62%	0.3	0.3
Danish Krona	6.1	2.78%	6.3	5.9
Euros	98.1	2.78%	100.8	95.4
Hong Kong Dollars	14.8	2.80%	15.2	14.4
Indian Rupees	13.6	3.03%	14.0	13.2
Israeli Shekels	0.6	2.61%	0.6	0.6
Japanese Yen	36.0	4.71%	37.7	34.3
Malaysian Ringgits	3.4	3.88%	3.5	3.3
Mexican Peso	4.2	3.86%	4.4	4.0
Norwegian Krona	0.8	3.31%	0.8	0.8
Polish Zloty	1.2	3.17%	1.2	1.2
Russian Ruble	0.4	6.80%	0.4	0.4
Singapore Dollars	2.9	2.83%	3.0	2.8
South African Rand	2.2	5.10%	2.3	2.1
South Korean Won	-5.5	3.18%	-5.7	-5.3
Swedish Krona	13.9	2.74%	14.3	13.5
Swiss Francs	15.7	3.86%	16.3	15.1
Taiwanese Dollars	7.0	2.77%	7.2	6.8
Thai Baht	0.4	3.06%	0.4	0.4
United States Dollars	322.7	2.80%	331.7	313.7
Overseas Sub-Total	**549.1**		**565.3**	**532.9**
Other Overseas	1.7			
Overseas Total	**550.8**			
UK Investments & Cash	431.7			
Overall	**982.5**			

Currency Risk (as at 31 March 2017)

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollars	12.1	3.34	12.5	11.7
Canadian Dollars	7.3	2.74	7.5	7.1
Danish Krona	0.1	2.66	0.1	0.1
Euros	35.1	2.65	36.0	34.2
Hong Kong Dollars	2.4	2.66	2.5	2.3
Israeli Shekels	0.4	2.49	0.4	0.4
Japanese Yen	6.7	4.46	7.0	6.4
Malaysian Ringgits	1.3	3.74	1.3	1.3
Norwegian Krona	1.2	3.17	1.2	1.2
Singapore Dollars	2.6	2.69	2.7	2.5
South Korean Won	1.2	3.18	1.2	1.2
Swedish Krona	3.0	2.62	3.1	2.9
Swiss Francs	16.1	3.60	16.7	15.5
Taiwanese Dollars	1.2	2.63	1.2	1.2
United States Dollars	220.3	2.67	226.2	214.4
Overseas Total	**311.0**		**319.6**	**302.4**
UK Investments & Cash	653.7			
Overall	**964.7**			

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Officers monitor cash flows and takes steps to ensure that there are adequate cash resources to meet the fund's commitments. The fund has immediate access to its cash holdings.

Liquid assets are those that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2018, liquid assets were £895.2m representing 91% of total fund assets (£895.2m at 31 March 2017 representing 93% of the Fund at that date). These investments can in fact be liquidated within a matter of days.

17. Funding Arrangements

In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2016 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2017.

The main funding assumptions which follow were incorporated into the funding model used in the 2016 valuation (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2016 % p.a.	**Real % p.a.**
Financial Assumptions		
Discount Rate	5.7	3.3
Retail Price Inflation	3.3	0.9
Consumer Price Inflation	2.4	-
Pension Increases	2.4	-
Pay Increases (Short Term)	*	
Pay Increases (Long Term)	3.9	1.5

* CPI for the period 31/03/2016 to 31/03/2020.The discount rate reflects the asset allocation embedded in fund's long-term strategy, the below table outlines how these assumptions translate into an overall discount rate assumption.

Future assumed returns at 2016	**Percentage of Fund** %	**Return Assumption** %	**Real (relative to CPI)** %
Gilts	-	2.4	-
Cash	-	1.8	(0.6)
Bonds	-	3.3	0.9
Equities	55	7.4	5.0
Property	10	5.9	3.5
Absolute return fund – inflation plus 3.7%	15	6.1	3.7
Absolute return fund – LIBOR plus 4.5%	20	6.3	3.9
Expenses (deduction)		(0.2)	
Neutral estimate of discount rate based on long-term investment strategy		**6.7**	**4.3**
Prudence Allowance		(1.0)	(1.0)
Discount Rate		**5.7**	**3.3**

Demographic assumptions

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80%, for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Life expectancy from age 65		31 March 2016
Retiring today	Males	24.3
	Females	25.8
Retiring in 20 years	Males	26.5
	Females	28.1

Commutation assumption

As part of the 2016 valuation the actuary performed an analysis of retirement patterns using the new universal data extract. This analysis revealed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

The actuary has assumed that existing members will continue to participate in their current section.

Funding Position at Valuation date

The valuations at 31 March 2016 revealed that the relationship between the values placed on the assets held by the fund and the liabilities accrued in respect of pensionable service at that date were as follows:

Past Service Liabilities	March 2016 £m
Active Members	308.9
Deferred pensioners	185.1
Pensioners	451.6
Total	**945.6**
Assets	(796.3)
Deficit	**149.3**
Funding Level	**84%**

Based on the above data the derivation of the basic rate of employer's contribution is set out below:

	March 2016 Contribution rate %
Future service funding rate	12.8
Past service adjustment	8.2
Total contribution rate	**21.0**

The past service adjustment assumes that the deficit is recovered over a 17 year period in the March 2016 valuation.

Having considered the basic rate of employer's contributions above, the City of London Corporation set contribution rates applicable to its employees of 21.0% for each of the financial years 2017/18 to 2019/20. Exceptions are City Academy who pay 17.1% p.a. and Museum of London which has certified stepped contributions of 15.1% in 2017/18, 15.7% in 2018/19 and 16.1% in 2019/20.

Of the employers' contributions receivable in 2017/18, amounting to £28.82m, the amounts attributable to "deficit funding" are as follows:

	Future Funding £m	Past-service Deficit Funding £m	Total Contributions £m
Administering Authority			
City of London	16.35	10.49	26.84
Scheduled Bodies			
Museum of London	0.73	0.47	1.20
Multi-Academy Trust	0.02	-	0.02
Admitted Bodies			
Irish Society	0.02	0.01	0.03
Agilisys	0.09	0.05	0.14
City Academy -Southwark	0.20	0.12	0.32
Other	0.16	0.11	0.27
	17.57	**11.25**	**28.82**

18. Funded Obligation of the Overall Pension Fund

31 March 2017 £m		31 March 2018 £m
1,606.0	Present Value of the defined benefit obligation*	1,627.0
(963.5)	Fair Value of Fund Assets (bid value)	(988.2)
642.5	Net Liability	638.8

*The present value of the funded obligation consists of £1,572.8m in respect of vested obligations and £54.2m in respect of non-vested obligations (2016/17: £1,546.2m and £59.8m respectively).

The above figures show the total net liability of the Fund as at 31 March 2018 and have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions that comply with IAS19.

at 31 March 2017		Assumptions	at 31 March 2018	
% pa	*Real % pa		% pa	*Real % pa
3.60	1.00	RPI increase	3.30	1.00
2.60	-	CPI increase	2.30	-
4.10	1.50	Salary increase	3.80	1.50
2.60	-	Pension increase	2.30	-
2.70	0.10	Discount Rate	2.55	0.25

* Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms.

Life expectancy from age 65		31 March 2017	31 March 2018
Retiring today	Males	23.8	23.9
	Females	25.2	25.2
Retiring in 20 years	Males	25.2	25.3
	Females	26.7	26.7

19. Current assets

Current assets include cash balances of £6.7m at 31 March 2018 (£2.3m at 31 March 2017).

20. Current liabilities

Current liabilities represent accruals for investment management expenses, custodian fees and pension payroll transactions.

21. Additional Voluntary Contributions

Market Value 31 March 2017 £m		Market Value 31 March 2018 £m
1.4	Prudential	1.6
0.5	Standard Life Investments	0.5
0.3	Equitable Life	0.3
2.2		**2.4**

AVC's are Additional Voluntary Contributions and are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and transferred directly to the relevant Fund Managers – Prudential, Standard Life Investments and Equitable Life. AVC's of £0.43m were paid in 2017/18 (2016/17: £0.54m).

In accordance with Regulation 4(1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid, and the assets of these investments are not included in the Fund's Accounts.

22. Related Party Transactions

The City of London Pension Fund is administered by the City of London Corporation. Consequently, there is a strong relationship between the local authority and the pension fund.

During the reporting period, administration expenses which were charged to the fund amounted to £0.7m (2016/17: £0.7m). This includes £0.5m (2016/17: £0.5m) of City of London Corporation staff salaries.

The Corporation is also the single largest employer of members of the pension fund and the employer contributions paid by it was £26.9m in 2017-18 (2016/17: £20.8m).

23. Key Management Personnel

The key management personnel of the fund are the Chamberlain, Deputy Chamberlain, Corporate Treasurer, Head of Pensions Administration and Group Accountant for Pensions and Treasury Management. Total remuneration payable to key management personnel is set out below

31 March 2017 £m		**31 March 2018 £m**
0.1	Short-term benefits	0.2
0.1		**0.2**

24. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2018 totalled £8.8m (31 March 2017: £27.1m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

BENCHMARKING REPORT

Pension Fund Investment Performance

The investment performance of the Pension Fund is subject to regular monitoring by the City of London's custodian bank BNY Mellon, City Officers, the Investment Consultant and the Financial Investment Board. The Financial Investment Board set a return target of 7% p.a. for the financial year 2017/18, from 1st April 2018 the Financial Investment Board have adjusted the return target to 5.7% p.a. following the 2016 actuarial review and the Fund's recent investment strategy review.

Similarly, individual Fund Manager Performance is monitored in the same way with financial returns being analysed against an agreed nearest comparable benchmark.

	2017/18 %	**Last 3 Years % p.a.**	**Last 5 Years % p.a.**
Pension Fund Returns			
Fund Return	+2.1	+6.5	+7.5
Return Benchmark (7% pa)	+7.0	+7.0	+7.0
Relative Return	-4.9	-0.5	+0.5

*The above table only reflects the returns on financial assets monitored by the Pension Fund's custodian and therefore does not include holdings in Private Equity, DIF Infrastructure IV or the Pension Fund's holdings in the London CIV Ltd, which combined represents approximately 5% of the Pension Fund's overall value.

Individual Fund Manager Performance

The table below shows the performance of the individual fund managers.

	2017/18 %	**Last 3 Years % p.a**
Artemis		
- Portfolio Return (UK Equity)	+4.6	+6.1
- Benchmark (FTSE All Share)	+1.3	+5.9
- Relative Return	+3.3	+0.2
C WorldWide		
- Portfolio Return (Global Equity)	+4.4	+8.3
- Benchmark (MSCI AC World)	+2.4	+10.2
- Relative Return	+2.0	-1.9
Harris		
- Portfolio return (Global Equity)	+2.5	
- Benchmark (MSCI World)	+1.3	
- Relative Return	+1.2	
IFM		
- Portfolio Return (Infrastructure)	+31.7	
- Benchmark (RPI + 4%)	+7.3	
- Relative Return	+24.4	
Lindsell Train		
- Portfolio Return (UK Equity)	+8.4	
- Benchmark (FTSE All Share)	+1.3	
- Relative Return	+7.1	
Majedie		
- Portfolio Return (UK Equity)	-1.8	
- Benchmark (FTSE All Share)	+1.3	
- Relative Return	-3.1	
Pyrford		
Portfolio Return (Multi-Asset)	-2.2	+2.9
- Benchmark (RPI + 4%)	+7.3	+6.7
- Relative Return	-9.5	-3.8
Ruffer		
- Portfolio Return (Multi-Asset)	-0.9	+2.5
- Benchmark (RPI + 4%)	+7.3	+6.7
- Relative Return	-8.2	-4.2

Standard Life GARS		
- Portfolio Return (Multi-Asset)	+1.3	-0.9
- Benchmark (GBP 6 month LIBOR +5%)	+5.5	+5.6
- Relative Return	-4.2	-6.5
Veritas		
- Portfolio return (Global Equity)	-2.2	+9.9
- Benchmark (MSCI World)	+1.3	+10.2
- Relative Return	-3.4	-0.3
Wellington		
- Portfolio Return (Global Equity)	+0.5	+7.8
- Benchmark (MSCI AC World)	+2.4	+10.2
- Relative Return	-1.9	-2.4

FUNDING STRATEGY STATEMENT

Introduction

This is the Funding Strategy Statement (FSS) of the City of London Corporation Pension Fund ("the Fund"), which is administered by the City of London Corporation as the Administering Authority. It has been prepared in collaboration with the Fund's actuary and after consultation with the Fund's employers and investment consultant.

Regulatory Framework

Members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Local Government Pension Scheme Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The FSS forms part of a framework which includes:-

- the Local Government Pension Scheme Regulations as amended from time to time;
- the Rates and Adjustments Certificate, which is appended to the Fund's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Investment Strategy Statement.

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

Purpose of the Funding Strategy Statement in policy terms

The Department for Communities and Local Government has stated that the purpose of the FSS is:-

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

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

Aims and purpose of the Pension Fund

The aims of the Fund are to:-

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the Administering Authority and employers alike;
- manage employers' liabilities effectively;
- ensure that sufficient resources are available to meet all liabilities as they fall due; and
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:-

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations 2013 and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Responsibilities of the key parties

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

The Administering Authority should:-

- operate a pension fund
- collect employer and employee contributions, investment income and other amounts due to the Fund as stipulated in LGPS regulations
- pay from the Fund the relevant entitlements as stipulated in LGPS Regulations;
- invest surplus monies in accordance with the Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain an FSS and an ISS, both after proper consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/ISS as necessary;
- effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- enable the Finance and Investment Board and the Local Pensions Board to review the valuation process as they see fit.

Each Scheme Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain;
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding;
- pay any exit payments on ceasing participation in the Fund; and
- comply with the valuation timetable where required and respond to communications as necessary to complete the process.

The Fund actuary should:-

- prepare valuations including the setting of employers' contribution rates at a level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations;
- provide advice and valuations on the exiting of employers from the Fund;
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters;
- provide advice to the Administering Authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the actuary’s role in advising the Fund; and
- agree a timetable for the valuation process with the Administering Authority to provide timely advice and results.

Solvency issues and key funding levels

The principal issues facing the solvency of the Fund include the ability to finance liabilities as and when they arise, long-term cost efficiency, the rate or volatility of variations in employer contribution rates, the pace at which any deficits are recovered, and the returns on the Fund’s investments.

As stated above, the purpose of the funding strategy is to draw these issues together to seek to achieve a funding level close to 100% over a reasonable period of time and within the prudential framework in which the Fund operates. The funding strategy should also have regard to the likely outcomes of a review under Section 13(4) (c) of the Public Service Pensions Act 2013.

The Corporation is cognisant of the need to adopt a balanced approach to potential deficit recovery in order to ensure a smoothed and balanced approach. This approach recognises that individual employers need to consider carefully the impact of higher contribution rates against their ability to maintain current service levels and/or raise additional revenue to finance forecast deficits.

Funding method
The funding method adopted at the 2016 valuation considers separately the benefits in respect of service accrued before the valuation date (“past service”) and benefits in respect of service expected to be accrued after the valuation date (“future service”). The benefits are valued using the Projected Unit Method which, for the future service rate, assesses the cost of one year’s benefit accrual.

The past service funding position is summarised as follows:

Total

Past service funding position	**31 March 2016**
	£000
Smoothed asset value	796,301
Past service liabilities	
Actives	308,945
Deferred pensioners	185,048
Pensioners	451,583
Total	945,576
Surplus (Deficit)	(149,275)
Funding level	84%

Employer contributions have been set for each active employer based on their own future service rate (“primary rate”) and contributions towards any past service deficit. All employers are projected to be fully funded over a recovery period of 17 years.

Assumptions

The balanced approach to recovery referred to above has been formulated after the outcome of the 2016 valuation was established. The underlying funding principles have been based on the following principal financial assumptions:-

31 March 2016		
	% p.a.	**Real % p.a.**
Discount Rate	5.7	3.3
Consumer Price Inflation (CPI)	2.4	0.0
Pension Increases	2.4	0.0
Long Term Pay Increases	3.9	1.5
Short Term Pay Increases	CPI for the period from 31 March to 2016 to 31 March 2020	

The Fund received a detailed bespoke analysis of pensioner mortality using data over the five year period from 31 December 2010 to 31 December 2015. This information has been used to adjust the mortality tables underlying the valuation to better reflect the future mortality experience of the Fund as well as choosing a suitable assumption on the rate of future mortality improvements. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Membership, Staff Turnover and Requirements

At each triennial valuation membership data is provided to the Fund actuary to assess the value of the benefits earned by current and former employees. The funding strategy reflects the actual membership profile of the Fund, and the employer contributions are set accordingly so that the primary rate is expected to be sufficient to meet the costs of benefits accruing to active members, and the secondary rate is set to recover any deficit over an appropriate period.

The investment strategy is kept under review to reflect the duration of the Fund's liabilities so that funds are available to meet benefit payments as they fall due.

Employers will manage early retirement costs to minimise extra costs falling on the Fund.

The capitalised cost of early retirements, other than on ill-health terms, before age 60 or achievement of the extant *Rule of 85* if later, will be funded by the employer.

Ceasing employers

On the cessation of an employer's participation in the Fund, the Actuary will be asked to carry out a cessation valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a cessation payment, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the ceasing employer will transfer within the fund to another participating employer.

In assessing the deficit on cessation, the actuary may adopt a discount rate based on gilt yields or other lower risk assets and adopt different assumptions to those used at the previous triennial valuation to protect the other employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

Employer contributions

The policy of the Fund is that each individual employer is responsible for the costs of providing benefits for its own participating members. However, due to the relatively small number of active employers and the low membership for some of those employers, the secondary rate for most employers is set such that the total contributions required from each employer is 21.0% p.a. until 31 March 2020. Exceptions are City Academy who pay 17.1% p.a. and Museum of London which has certified stepped contributions of 15.1% in 2017/18, 15.7% in 2018/19 and 16.1% in 2019/20.

Risks

There are many factors that affect the funding position and could lead to the funding objectives not being met within the timescales expected. The most significant risks for the funding strategy are financial in nature, although other factors to consider are demographic risks, regulatory risks and governance risks.

The Fund actuary provides a regular funding update between the formal triennial valuations to monitor the ongoing funding position to check whether the funding objectives are on track to be met in the planned timeframe.

Financial risks

The most significant risk is that the investment strategy does not produce the expected investment return on which the funding strategy has been based. This could occur if market returns are poorer than expected for any reason. The investment return achieved by the Fund managers is actively monitored and the investment strategy is kept under review.

Demographic risks

The actuarial assumptions adopted at each triennial valuation make allowance for continued improvements in life expectancy. The assumptions are reviewed at each valuation based on the actual mortality of the scheme members.

Regulatory risks

The Scheme benefits and employee contribution rates are determined by the Regulations and any changes could have significant financial implications for the Fund and its participating employers. The Administering Authority seeks advice from the Fund actuary in respect of any proposed changes in the Regulations.

Governance risks

The Administering Authority maintains dialogue with participating employers to ensure that they are aware of any significant factors that could affect the long-term financial health of an employer, with particular emphasis on their continued ability to support their obligations to the Fund. Where a potentially adverse event or issue is identified, the Administering Authority seeks discussions with the Fund actuary.

Links with the Investment Strategy Statement

The primary link between the FSS and the ISS is the discount rate that underlies the FSS, and the rate of investment return expected to be achieved by the Fund's investment strategy, as set out in the ISS. There is consistency between the funding strategy and the investment strategy although the discount rate assumption does reflect a degree of prudence.

Monitoring and Review

The FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial valuation process.

The Administering Authority also monitors the financial position of the Fund between triennial valuations and may review this FSS more frequently if deemed necessary.

CITY OF LONDON PENSION FUND
INVESTMENT STRATEGY STATEMENT

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. The purpose of the Investment Strategy Statement (the ISS) is to document the principles, policies and beliefs by which the City of London Corporation's Investment Committee (working through the Financial Investment Board ('the Board')) manages the City of London Pension Fund's ('the Fund') assets. The document takes account of:

- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- The requirements of the Pensions Act 2013.
- The requirements of the Occupational Pension Schemes (Investment) Regulations 2005.
-

The Local Government Pension Scheme ('LGPS'), of which the Fund is a part, is established under the Superannuation Act 1972 and is regulated by a series of Regulations made under the 1972 Act.

The City of London Corporation is the Administrating Authority for the Fund.
The Financial Investment Board consulted with and received advice from the Fund's investment consultant, Mercer, on this statement. The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy.

There are close links between this statement and two other statements. The Funding Strategy Statement ('FSS') sets out the main aims of the Fund and explains how employers' contribution rates are set to achieve those aims. The Governance Compliance Statement sets out the structure of delegations of responsibilities for the Fund. These are incorporated in the Pension Fund Annual Report.

2. Governance

The City of London Corporation's Court of Common Council and Finance Committee have delegated the investment management responsibility of the Fund to the Investment Committee which in turn has charged the detailed investment arrangements to the Financial Investment Board. The main areas of investment responsibility include:

- determination of strategic asset allocation;
- determination of portfolio structure; and
- on-going monitoring and evaluation of the investment arrangements.

The Financial Investment Board is made up of between 12-14 Members of the Investment Committee, comprising elected Members.

The Financial Investment Board is empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in its deliberations.

There is provision within Standing Orders to enable the Chairman of the Financial Investment Board to report on and speak on their activities and responsibilities in the Court of Common Council and to ensure that any decisions are taken without undue delay.

Members of the Financial Investment Board recognise that they have a duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Beneficiaries, in this context, are considered to be the Fund Members (pensioners, employees and employers), together with local Council Tax Payers.

2.1 Liabilities

The LGPS is a defined benefit pension scheme which provides benefits related to the final salary or average salary of members. The Fund is a contributory defined benefit arrangement, with active members and contributing employing authorities.

The value of the Fund's on-going liabilities is sensitive to various demographic (principally longevity) and financial factors. The financial factors relevant to the Fund's investment policy are:

- the expected rate of return on assets / discount rate
- price inflation
- salary escalation for active members' pre 2014 benefits

2.2 Maturity and Cashflow

The Fund remains open to new members and new accruals. Contributions are received from both active members and employing authorities. Active members contribute on a tiered system. Employing authorities' contributions are determined by advice from the Fund's actuary; based on the triennial valuation. The maturity profile is such that pension payments from the Fund now exceed contribution income paid into the Fund and investment income is required to meet the annual net cash shortfall from the Fund. At some stage there may be a requirement to realise assets in order to meet pension payments and the Fund actuary keeps this position under review.

3. Objectives

The Fund's primary long term investment objective is to achieve and maintain a funding level at or close to 100% of the Fund's estimated liabilities; and in conjunction with the funding strategy, to minimise the cost and variability of cost to employers.

4. Strategic Asset Allocation

The Board regards the choice of asset allocation policy as the decision that has most influence on the likelihood of achieving their investment objective. The Board retains direct responsibility for this decision which is made on the advice of their investment adviser.

The investment strategy will normally be reviewed every three years. In addition, if there is a significant change in the capital markets, in the circumstances of the Fund or in governing legislation then an earlier review may be conducted.

In keeping within the regulatory framework set out in the LGPS regulations, the Board formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments; and
- the suitability of particular investment and types of investment.

The Board will consider a full range of investment opportunities including:

- public and private equity;
- government and non-government bonds;
- property;
- hedge funds and other alternative investments; and
- infrastructure.

The Board further considers the legality of all investments for compliance with the LGPS. The Board determines the strategic asset allocation policy after considering projections of the Fund's assets and liabilities which are calculated by the Fund's investment adviser, in liaison with the Fund's actuary. This asset-liability study/investment strategy review examines different combinations of assets to determine which combination will best meet the Fund's objectives.

The Board reviewed the Fund's investment strategy in 2017 following its 2016 actuarial valuation and agreed the target asset allocation strategy set out in the table below which is outlined in more detail in Appendix A.

Asset Class	**Position as at 31/03/2018 %**	**Strategic target as at 2018/19 %**
UK Equities	18	17
Global Equities	45	33
Multi Asset	28	30
Property**	0*	10
Infrastructure	6*	5
Private Equity	3*	5
Total	**100**	**100**

*This does not include outstanding commitments that represent approximately 11% of the total Fund value as at 31 March 2018

**A combined commitment of £90m has been made to 3 Property funds, with initial drawn downs expected to take place in the next 12 months.

5. Assessment of Suitability of particular investments and types of investments

5.1 Expected return on investments

The asset-liability study takes into account the particular liabilities of the Fund.
In addition to a full specification of the Fund's benefits, the study will make important assumptions about the behaviour of various asset classes (such as their expected return over long periods of time and the variability of those returns) and the liabilities in the future. Expected annualised returns are formulated for each asset class based on long term capital market assumptions, and volatilities. The returns and volatilities used for each asset class in the 2017 strategy review are shown in the table below and are based on Mercer's Capital Market Assumptions as at 31 March 2017.

Asset Class	10 Year Expected Annual Return %	10 Year Annual Volatility %
Developed Global Equity (FX hedged)	5.6	17.0
Emerging Market Equity	7.4	29.0
UK Property	4.1	14.5
UK Gilts (>15 year)	1.1	8.8
UK Investment Grade Corporate Bonds	2.0	3.3
UK Index-Linked Gilts (>5 year)	0.8	8.8
Global Fund of Hedge Funds	3.4	7.6
Global Private Equity	7.9	24.3

5.2 Current Strategy

The asset allocation strategy is implemented by appointing expert fund managers with clear performance targets aligned to the Fund's requirements. In order to achieve this objective and to ensure diversification by asset class and style, the City of London Corporation has a number of investment managers. The aim is to invest assets to ensure that the benefits promised are provided as far as can reasonably be expected. The asset allocation selected is designed to achieve a higher return than the minimum required while managing risk against the need to meet the Fund's liabilities. The Board receives annual funding updates from the Actuary.

The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pensions Board, advisers to the Fund and other parties that it deems appropriate to consult with.

5.3 Currency hedging policy

The Board considers currency risk as a risk which is difficult to predict. In view of this and the fact that the Fund's assets are invested in pooled funds which makes implementing a currency hedging programme operationally complex, the Board decided not to hedge its currency exposures as part of the 2017 strategy review. Certain fund managers have been granted authority to hedge the currency risks attached to their investment portfolios when they consider this to be desirable.

5.4 Implementation.

The Board has appointed investment managers to manage the Fund's investments as set out in Appendix A.

The Board believe the use of active management within the Fund will increase the likelihood that its objectives will be met.

The activities of each manager are governed through written contracts such as policy documents or Investment Management Agreements. This includes details on the portfolio performance objectives, past performance and risk limits, as well as information on permissible investments.

5.5 Selection and realisation of investment

Each investment manager has full discretion in terms of stock selection within the constraints agreed with each manager. The majority of investments held within the Fund are pooled investments with daily liquidity. The City's Private Equity and Infrastructure investments are relatively illiquid and may take longer to realise, if required.

The current list of investment managers and pooled funds (as at 31 March 2018) used with a view to implementing the above strategy is set out in the Appendix A to this document.

5.6 Security lending

The Fund does not have a security lending policy in place.

5.7 Custody

The Board regards the safekeeping of the Fund's assets as of paramount importance but as the Fund's assets are invested through pooled vehicles this function is the responsibility of the individual investment managers. In addition, the Board has appointed BNY Mellon asset servicing company as global custodian and record-keeper of the Fund's assets.

6. Risk Management

The Financial Investment Board regards 'risk' as the likelihood that it fails to achieve the objectives set out above and has taken several measures, which are set out in this Statement, to minimise this risk so far as is possible.

In particular, in arriving at the investment strategy and the production of this Statement, the Financial Investment Board has considered the following key risks:

- asset-liability mismatch (asset allocation risk);
- to pay benefits when due (cash-flow risk);
- inadequate investment manager performance (active manager risk);
- investment failure (investment and concentration risk);
- sustainability of returns (ESG risk)
- fluctuating foreign exchange rates (currency risk)
- counterparty unable to meet contractual obligations (counterparty risk); and
- loss of securities held in custody (custody risk).

Following each actuarial valuation, the Board will conduct an asset/liability review, which focuses on the impact of asset allocation on expected future funding levels. The Board considers the results using advanced modelling techniques, and, with the assistance of expert advisers, are able to measure and quantify them in terms of their definitions of risk. This allows the Board to assess the probabilities of critical funding points associated with different investment strategies.

Consideration is given to the volatility of a number of parameters (e.g. items associated with accounting measures, contributions, etc.), to further assess the potential risks associated with a particular investment strategy.

The process of risk management continues through to implementation. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that class for taking on active risk. Active risk is then diversified through the use of different investment managers and pooled funds. The pooled fund investments and direct investments are governed by the terms and conditions of the fund and/or policy documents. Frequent monitoring of portfolio performance and exposure characteristics also aids in the on-going risk management for the Fund.

7. Approach to Pooling Investments, including the use of collective investment vehicles and shared service

The Fund has formally agreed to join the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

The Fund will look to transition assets as and when appropriate to do so once the relevant investment strategies are available to meet the Fund's asset allocation and investment strategy needs. The Fund has investments in infrastructure valued at £58m as at 31/03/2018 with no outstanding commitments. It also has private equity investments valued at £29m as at 31/03/2018 with outstanding commitments of some £9m and these will remain outside of the London CIV pool. In May 2017 the Financial Investment Board approved investments in 3 Property funds with a combined commitment of £90m (£30m in each), the first draw down is expected to take place in the next 12 months.

The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds are re-invested through the pool, assuming it has appropriate strategies available, or until the Fund changes asset allocation and makes a decision to disinvest.

8. Environmental, Social and Corporate Governance Policy

The Fund has an overriding fiduciary duty to maximise investment returns for the benefit of the pension fund members. With this in mind the Corporation has developed a Responsible Investment Policy which is included as Appendix B to this statement and a Statement of Commitment to the Stewardship Code which it is in the process of being finalised. The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all Fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making and has invited them to outline how they approach this and whether they are signatories to the UN Principles of Responsible Investment.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk. This will include social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

9. Voting Policy

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercise the ownership rights attached to its investments. This reflects the Fund’s conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests, recognising that the companies’ activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society. The Fund is invested in pooled assets and as such is dependent on the investment manager to exercise any voting rights.

Any investments made by the Fund through the London CIV are covered by the voting policy of the London CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The London CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

The Fund is currently developing a Statement of Compliance with the Stewardship Code which will be published in due course and fully endorses the principles embedded in the 7 Principles of the Stewardship Code.

The Fund expects its external investment managers to be signatories of the Stewardship Code and to reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

In addition the Fund:

(a) is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners

(b) is a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners

Appendix A

Investment Managers

As at 31 March 2018 the Fund assets were invested in portfolios managed by the external investment managers shown in the table below. They are benchmarked against the indicated indices and the table shows whether portfolios are managed on a segregated or pooled basis.

Active Portfolios			
Investment Manager	**Asset Class**	**Comparator Index**	**Type**
Artemis Investment Management Ltd	UK equity	FTSE All Share	Pooled
Lindsell Train Ltd	UK equity	FTSE All Share	Pooled
Majedie Asset Management Ltd	UK equity	FTSE All Share	Pooled
C Worldwide Asset Managers (formerly Carnegie Asset Management)	Global equities	MSCI AC World	Pooled
Natixis International Funds (Harris Associates)	Global Equities	MSCI World	Pooled
Veritas Asset Management	Global equities	MSCI World	Pooled
Wellington Management International	Global equities	MSCI AC World	Pooled
Pyrford International	Multi-asset	RPI +4%*	Pooled
Ruffer LLP	Multi-asset	RPI +4%*	Pooled
Standard Life Investments	Multi-asset	6 Month LIBOR+5%	Pooled
IFM Global Infrastructure (UK) LP	Infrastructure	RPI +4%*	Pooled
DIF Infrastructure IV Cooperatief UA	Infrastructure	RPI + 4%*	Pooled
Ares Special Situations Fund IV	Private equity	Broad public equities index	Pooled
Coller International Partners VII	Private equity	Broad public equities index	Pooled
Crestview Partners III LP	Private equity	Broad public equities index	Pooled
Exponent Private Equity Partners III, LP	Private equity	Broad public equities index	Pooled
Frontier Fund IV	Private equity	Broad public equities index	Pooled
Environmental Technologies Fund Managers LLP	Private equity	Broad public equities index	Pooled
New Mountain Capital LLC	Private equity	Broad public equities index	Pooled
NCM Management (UK) Ltd	Private equity	Broad public equities index	Pooled
Standard Life Investments Private Equity Ltd	Private equity	Broad public equities index	Pooled
YFM Equity Partners	Private equity	Broad public equities index	Pooled
Warburg Pincus PE XII	Private equity	Broad public equities index	Pooled

*From 1st April 2018 performance of managers Pyrford, Rugger, IFM and DIF will be measured against CPI +4%

The table below shows the asset allocation as at 31 March 2018

Asset Class	Current Position		Strategic target as at 2018/19
	%	%	%
UK Equities		18	17
• Artemis	8		
• Lindsell Train	5		
• Majedie	4		
Global Equities		45	33
• C WorldWide	12		
• Harris	10		
• Veritas	12		
• Wellington	11		
Multi Asset		28	30
• Pyrford	12		
• Ruffer	9		
• Standard Life GARS	7		
Property**	0*	0	10
Infrastructure		6	5
• IfM	4		
• DIF	2*		
Private Equity	3*	3	5
Total		**100**	**100**

*This does not include outstanding commitments that represent approximately 11% of the total Fund value as at 31 March 2018

**A combined commitment of £90m has been made to 3 Property funds, with initial drawn downs expected to take place in the next 12 months.

Appendix B

CITY OF LONDON CORPORATION RESPONSIBLE INVESTMENT POLICY

The City of London Corporation (the Corporation) is committed to being a Responsible Investor and the long term steward of the assets in which it invests. It expects this approach to protect and enhance the value of the assets over the long term.

The Corporation recognises it is consistent with its fiduciary duty to manage Environmental, Social and Corporate Governance ('ESG') issues that may be financially material. This policy sets out the Corporation's approach to Responsible Investment (RI) and details the actions the Corporation, and its external providers, take on its and other stakeholders behalf, to protect the Corporation and its assets from ESG and reputational risks.

As a long-term investor, the Corporation recognises that it should manage ESG risks that can be both long-term and short-term in nature. In addition, the Corporation seeks to identify investment opportunities aligned with its long-term objectives. The Corporation is supportive of the UN Principles for Responsible Investment (PRI) and is taking steps to become a signatory. The foundations of the Corporation's approach are its **RI Beliefs**, which are set out below:

The City of London Corporation's Responsible Investment Beliefs

- The Corporation is a long-term investor and seeks to deliver **long-term sustainable returns**. Taking a sustainable investment view is more likely to create and preserve long-term investment capital.
- The identification and management of ESG risks that may be financially material is **consistent with our fiduciary duty**.
- The Corporation seeks to **integrate ESG issues at all stages of its investment decision-making process**, from setting investment strategy to monitoring its investment managers.
- **Active ownership** helps the realisation of long-term shareholder value. The Corporation has a **duty to exercise its stewardship and active ownership responsibilities** (voting and engagement) effectively by using its influence as a long-term investor to encourage responsible investment behaviour.
- The Corporation recognises that taking a **collaborative approach** with other investors can help to achieve wider and more effective outcomes**.**
- The Corporation seeks to identify **sustainable investment opportunities** where aligned with its broader investment objectives.
- It is important that the Corporation be **transparent and accountable** to members and stakeholders with respect to its RI activities.

Implementation

The Corporation seeks to **integrate RI across its investment decision-making process**. The Corporation adopts a flexible approach to managing the investment strategies and asset allocation of its Funds in order to ensure they are robust from a risk and return perspective.

In setting and implementing its investment strategy, the Corporation takes advice from professional investment advisors. The Corporation **encourages its investment advisors to proactively consider and integrate ESG issues** when providing investment advice.

The Corporation's assets are managed by third-party investment managers responsible for the day-to-day investment decisions, including undertaking voting and engagement activities on behalf of the Corporation. The Corporation **considers ESG integration and active ownership when selecting and monitoring investment managers**.

The Corporation expects its external investment advisors and investment managers, including the London Collective Investment Vehicle (CIV), to be signatories, and demonstrate commitment, to the PRI.

Active Ownership (Voting and Engagement)

The Corporation recognises that it has **responsibilities as a shareholder**, as well as rights, and is an **active owner**. The Corporation seeks to exercise its voice through engagement with its investment managers (and consequently portfolio companies) as part of its active ownership, or stewardship, duties to its beneficiaries.

- The Corporation **aims to exercise its voting rights in all markets** and its investment managers are required to vote at all company meetings where practicable.
- The Corporation supports **the UK Stewardship Code** (Code) and expects its investment managers to comply with the Code. Non UK managers will be expected to sign up to an equivalent Code in their country of origin. The Corporation has outlined its approach to stewardship, including voting and engagement, in its **UK Stewardship Code - Statement of Commitment**
- The Corporation delegates voting and engagement to its investment managers and **monitors how its investment managers undertake voting and engagement activities** in comparison to relevant codes of practice.

Collaboration

The Corporation recognises that **collaboration with other investors is a powerful tool to influence** the behaviour of companies, policy makers and other industry stakeholders. The Corporation seeks to work with and support the initiatives of other bodies with similar goals, including via its investment managers and investment advisor. For example, the City of London Corporation Pension Fund is an active member of the Local Authority Pension Fund Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA).

Reporting and Stakeholder Engagement

The Corporation recognises that **transparency and disclosure** is an important aspect of being a responsible investor. The Corporation encourages transparency and disclosure from its investment managers, including reporting on engagement progress and success.

Our Commitment

We acknowledge that the Corporation's approach to RI will need to continually evolve, both due to the changing landscape with respect to ESG issues as well as broader industry developments. We are committed to making ongoing improvements to the Corporation's approach and the processes that underpin the delivery of this policy to ensure it remains relevant.

Approved by the Financial Investment Board on 22 March 2018.

Glossary

ESG - Environmental, social and corporate governance issues

RI - Responsible Investment – This refers to the incorporation of environmental, social and corporate governance considerations into investment processes, as these are absent in much traditional financial analysis. RI was very focused on company level analysis, but climate change and sustainability challenges increasingly require a more strategic, forward looking, portfolio view. There are 4 levers that an investor can use in its responsible investment approach: integration, stewardship, thematic investment and exclusions.

PRI - Principles for Responsible Investment – The PRI was formed by the UK in 2006 and has two main goals; to understand the investment implications of environmental, social and corporate governance (ESG) issues; and to support signatories in integrating these issues into investment and ownership decisions. The PRI believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. The PRI will work to achieve this sustainable global financial system by: encouraging adoption of the Principles, collaborating on their implementation, fostering good governance, integrity and accountability and addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

Stewardship and Active Ownership – The principle that shareholders should not be passive in their role as providers of capital and should take an active approach to using the voting rights attached to their shares and engaging with the companies they invest in (where appropriate) to encourage best practise and maximise shareholder value. For pooled fund clients, good stewardship and active ownership can be demonstrated through the review and ongoing monitoring of the pooled fund managers' activities in the areas of voting and engagement and the managers demonstrating the potential value of their actions.

UK Stewardship Code – Introduced for institutional investors in 2010, the UK Stewardship Code aims to incentivise investors to seek increased accountability from company boards and encourage them to seek on-going dialogue with their investors. The Stewardship Code has seven Principles and it is a mandatory requirement of the Financial Conduct Authority (FCA) that UK authorised asset managers disclose their compliance with the Code or explain otherwise through a public 'Statement of Commitment'.

COMMUNICATIONS POLICY STATEMENT

Effective communication between the City of London as the Administering Authority and its stakeholders is essential to the delivery of the pensions service. This document sets out the aims and the target audiences of the policy and the method of delivery (application) of the policy. The Local Government Pensions Board reviews all communications with scheme members on an on-going basis.

AIMS

Accuracy & Timeliness	Information needs to be compliant with legislation and supplied at an appropriate time.
Effective Information	Messages need to be clear and understood by target audience.
Accessible	Communication should be available to all and should meet the needs of a wide range of recipients.

AUDIENCES

- Scheme Members and Potential Members.
- Pensioners and Deferred Members.
- City of London Departmental Personnel and Administration.
- Other Employers Within the Fund
- Establishment Committee
- Pensions Board
- Staff

APPLICATION

Scheme Members and Potential Members

Scheme Guides –	Available to all eligible employees via website, direct mail or email.
Forms and leaflets –	Available on our website and appropriate forms supplied to all new employees and leavers via personnel/administration officers.
Newsletters –	Produced as appropriate and in particular as scheme changes occur.
Annual Benefit Statements –	Pension Statements supplied to those scheme members who are active at year end (31st March) as soon as possible after year end.
Presentations –	One-off seminars, regular pension "top-up" sessions, insight lunches and pre-retirement courses.
Induction –	Supply support to the Employers Induction courses as appropriate.
Intranet & Internet –	Provide news on scheme changes, develop and maintain internet with links to relevant sites. Publicise website updates and newsletters via the Intranet.

Pensioners and Deferred Pensioners

Pensioners should be supplied with monthly payslips as appropriate, Newsletters and annual pensions increase letters. Deferred Pensions will be provided with an annual benefit statement. Both will be supplied with information on scheme changes as they affect the appropriate category of ex-scheme member.

City of London Personnel and Payroll

Guides on technical, legislative and general day-to-day administration requirements and responsibilities issued as and when required and as scheme changes affect procedures, including links to centrally produced guides.

Presentations –	Personnel Group meeting updates and individual departmental sessions as appropriate.

Other Employers within the fund

Guides on technical, legislative and general day-to-day administration requirements and responsibilities issued as and when required and as scheme changes affect procedures, including links to centrally produced guides.

Presentations for appropriate personnel staff, committees & groups of employees.

Committee and Pensions Board

Reports -	Update Committee and Pensions Board on scheme changes and developments and provide reports in a clear and accurate manner in order that appropriate responses and actions follow.
Presentations -	Provide Committee and Pensions Board with updates where appropriate.

Staff

Provide updates and information on scheme and legislative changes.

Team Meetings –	Maintain staff's awareness and knowledge via monthly meetings and one-off sessions as appropriate.

General Communication

Letters, emails and phone calls answered clearly, accurately and timely.

If you wish to contact the City of London Pensions Office:
Write: Pensions Manager, City of London, Guildhall, London EC2P 2EJ
Telephone: 020 7332 1133
Email: Pensions@cityoflondon.gov.uk
Website: www.yourpension.org.uk/cityoflondon

This Policy Statement Will Be Kept Under Review.

GLOSSARY OF TERMS

Actuarial Valuation - a review of the Pension Fund by a qualified Actuary, which takes place every three years to ensure that employers' contributions are sufficient to maintain the solvency of the Fund in the long term.

Actuarial gains and losses - for a defined benefit pension, changes in actuarial deficits or surpluses that arise because:

a. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
b. the actuarial assumptions have changed.

Actuary - an independent qualified consultant who carries out the Actuarial Valuation and who assesses risks and costs, in particular those relating to life assurance and investment policies, using a combination of statistical and mathematical techniques.

Administering Authority - a local authority required to maintain a pension fund under LGPS regulations.

Asset allocation - the apportionment of a fund's assets between asset classes and/or markets.

Benchmark - a 'notional' fund or model portfolio which is developed to provide a standard against which a manager's performance is measured.

Bond - a certificate of debt, paying a fixed rate of interest, issued by companies, governments or government agencies.

Career Average Revalued Earnings (CARE) Scheme – A defined benefit pension scheme with benefits based on earnings and membership. Pension is based on a proportion of actual earnings in any year (1 April to 31 March) and annually adjusted for inflation.

Current asset - an asset held which will be consumed or cease to have value within the next financial year; examples are stock and debtors.

Current liability - an amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current service cost (pensions) - the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment (pensions) - for a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

a. termination of employees' services earlier than expected, for example as a result of discontinuing an activity; and
b. termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Custodian - safekeeping of securities by a financial institution. The custodian will keep a register of holdings and will collect income and distribute monies according to client instructions.

Defined benefit scheme - a pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits, most commonly by pay and period of membership. This is independent of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined contribution scheme - a pension or other retirement benefit scheme into which an employer (and usually the employee) pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Equities - ownership positions (shares) in companies that can be traded on public markets, often producing income that is paid in the form of dividends.

Expected rate of return on pensions assets - for a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Final Salary Scheme – A defined benefit pension scheme with benefits based on earnings and membership. Pension is based on a proportion of final salary.

Fund Managers - appointed by the Investment Sub Finance Committee to carry out day-to-day investment decisions for the Fund within the terms of their Investment Management Agreement.

Index - a benchmark for the performance of a group of shares or bonds.

Interest cost (pensions) - for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment adviser - a professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals.

Investment properties - interest in land or buildings that are held for investment potential.

Local Government Pension Scheme (LGPS) is a public service statutory Defined Benefit (DB) pension scheme

Local Government Pensions Board is a board of equal numbers of employer and employee members representatives created as part of the Public Service Pensions Act 2013 to assist the scheme manager in the administration of the LGPS

Mandate - a set of instructions given to the Fund Manager by the client as to how a fund is to be managed (e.g. targets for performance or the Manager may be prohibited from investing in certain stocks or sectors).

Outperformance / underperformance - the difference in returns gained by a particular fund against the 'average' fund or an index or benchmark over a specified time period.

Past service cost (pensions) - for a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Performance - a measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the benchmark.

Portfolio - term used to describe all investments held.

Private equity - investments in new or existing companies and enterprises which are not publicly traded on a recognised stock exchange.

Projected unit method - 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:

a. the benefits for pensions 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 dependants, allowing where appropriate for future increases; and
b. the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Risk - generally taken to mean the variability of returns.

Scheme liabilities - the liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Securities - investment in company shares, fixed interest or index-linked stocks.

Vested rights - in relation to a defined benefit pension scheme, these are:
a. for active members, benefits to which they would unconditionally be entitled to on leaving the scheme;
b. for deferred pensioners, their preserved benefits; and
c. for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouse