

## London Borough of Hammersmith & Fulham

**Report to:** Pensions Sub-Committee

**Date:** 11/02/2020

**Subject:** Pension Fund Quarterly Update Pack

**Report of:** Tim Mpofo, Pension Fund Manager

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### Executive Summary

1.1 This paper provides the Pension Fund Sub-Committee with summary of the Pension Fund's:

- a. Overall performance for the quarter ended 31 December 2019
- b. Cashflow update and forecast
- c. Assessment of risks and actions taken to mitigate these
- d. Sub-Committee's strategic forward plan

### Recommendations

1. The Pension Fund Sub-Committee is recommended to:
    - a. Approve the Transition timeline for selling down equities
    - b. Note the Update
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**Wards Affected:** None

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### H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none"><li>• Being ruthlessly financially efficient</li></ul>	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

### Financial Impact

- None

## Legal Implications

- None
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Verified by Phil Triggs

## Background Papers Used in Preparing This Report

None

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## **DETAILED ANALYSIS**

### **1. LBHF Pension Fund Quarterly Update – Q3 2019/2020**

- 1.1. This report and associated appendices make up the pack for the quarter ended 31 December 2019. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.
- 1.2. Appendix 2 contains the Pension Fund's report on the latest updates with regards to the integration of the environmental, social and governance (ESG) factors as part of the its investment strategy.
- 1.3. Appendix 3 provides information about the Pension Fund's investments and performance. Kevin Humpherson from Deloitte will be attending the meeting to present this report.
- 1.4. The Pension Fund's cashflow monitor is provided in Appendix 4. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to June 2020. An analysis of the differences between the actuals and the forecasts for the quarter is also included.
- 1.5. Appendix 5 contains the Pension Fund's Risk Registers which were revamped to show a more meaningful assessment of risks and the actions taken to mitigate them. These also highlight the risks that are increasing in their likelihood for enhanced monitoring by officers.
- 1.6. Appendix 6 gives an update on the Forward Plan as at 31 December 2019.

### **2. Aberdeen Standard Investments (ASI) Private Multi-Asset Credit Investment Plan**

- 2.1. In November 2019, the Pension Fund Sub-Committee appointed ASI as the Pension Fund's new private multi-asset credit manager. It was agreed that a commitment of £55 million would be made with the capital expected to be called in the first quarter of 2020.
- 2.2. In preparation for this investment, during February 2020, the Pension Fund will start to liquidate £56 million of assets from its passive equity strategy in four tranches in order to spread the timing risk.

2.3. The table below shows the target dealing dates to complete the trade:

<b>LGIM Dealing Date</b>	<b>Amount</b>
17 February	£14m
24 February	£14m
2 March	£14m
9 March	£14m
<b>Total</b>	<b>£56m</b>

### **3. Risk Management Implications**

3.1. N/A

### **4. Other Implications**

4.1. N/A

### **5. Consultation**

5.1. N/A

### **List of Appendices:**

Appendix 1: Scorecard at 31 December 2019

Appendix 2: Pension Fund ESG Report

Appendix 3: Deloitte Quarterly Report for Quarter Ended 31 December 2019

Appendix 4: Cashflow Monitoring Report

Appendix 5: Pension Fund Risk Register

Appendix 6: Pensions Sub-Committee Forward Plan

## London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report

	Mar 19	June 19	Sep 19	Dec 19	Comment/ Report
<b>LIABILITIES</b>					
Value (£m)	1,037.0	1,067.3	1,098.6	1,108.7	Deloitte Report Gross of Fees
% return quarter	5.5%	3.2%	3.0%	0.3%	
% return one year	6.3%	4.8%	5.9%	12.3%	
<b>LIABILITIES</b>					
Value (£m)	1,057.3	1,057.3	1,057.3	1,057.3	No funding update was carried out in Q1 2019, as the assumptions have been changed ahead of the triennial valuation
Deficit (£m)	27.6	27.6	27.6	27.6	
Funding Level	97%	97%	97%	97%	
<b>MEMBERSHIP</b>					
Active members	4,332	4,332	3,821	4,026	
Deferred beneficiaries	6,840	6,840	7,171	7,085	
Pensioners	5,111	5,111	5,173	5,222	
Employers	50	50	50	50	
<b>CASHFLOW</b>					
Cash balance	£2.7m	£2.5m	£4.4m	£1.2m	Appendix 4
Variance from forecast	£0.8m	£1.0m	£3.1m	£0.0m	
<b>RISK</b>					
No. of new risks	0	0	0	1	Appendix 5 – Risk Register
No. of ratings changed	16	0	7	5	
<b>LGPS REGULATIONS</b>					
New consultations	MHCLG Pooling 95K Cap	None	CMA Review	None	
New sets of regulations	None	None	None	None	