

Pensions Sub-Committee

Agenda

Wednesday 24 June 2015

7.00 pm

COMMITTEE ROOM 1 - HAMMERSMITH TOWN HALL

MEMBERSHIP

Administration:	Opposition
Councillor Iain Cassidy (Chair) Councillor PJ Murphy Councillor Guy Vincent	Councillor Michael Adam Councillor Nicholas Botterill

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http://www.lbhf.gov.uk/Directory/Council_and_Democracy

Members of the public are welcome to attend. A loop system for hearing impairment is provided, along with disabled access to the building.

Date Issued: 16 June 2015

Pensions Sub-Committee Agenda

24 June 2015

<u>Item</u>		<u>Pages</u>
1.	MINUTES OF THE PREVIOUS MEETING	1 - 7
	(a) To approve as an accurate record, and the Chair to sign, the minutes of the meeting held on 17 March 2015.	
	(b) To note the outstanding actions.	
2.	APOLOGIES FOR ABSENCE	
3.	DECLARATIONS OF INTEREST	
	If a Committee member has any prejudicial or personal interest in a particular item they should declare the existence and nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.	
	At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a prejudicial interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken unless a dispensation has been obtained from the Standards Committee.	
	Where Members of the public are not allowed to be in attendance, then the Councillor with a prejudicial interest should withdraw from the meeting whilst the matter is under consideration unless the disability has been removed by the Standards Committee.	
4.	APPOINTMENT OF VICE CHAIR	
	The Committee is asked to elect a Vice Chair from its membership for the 2015/16 municipal year.	
5.	PENSION FUND QUARTERLY UPDATE PACK	8 - 50
	This report presents the Pension Fund quarterly update, for the quarter that ended 31 March 2015.	
6.	GOVERNANCE COMPLIANCE STATEMENT	51 - 59
	The Pension Fund is required to maintain a Governance Compliance statement recording the governance arrangements for the Fund and the level of compliance with statutory guidance. The report recommends the approval of the Governance Compliance Statement.	

7.	KNOWLEDGE AND SKILLS POLICY	60 - 69
	The report recommends that the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills is adopted and proposes a Knowledge and Skills Policy Statement.	
8.	AUTHORISATION AND APPROVAL OF PENSION FUND ACCOUNTS - 2014/15	70 - 71
	The report proposes that the approval of 2014 – 2015 Pension Fund Accounts be delegated to the Audit, Pensions and Standards Committee.	
9.	DATE OF THE NEXT MEETING	
	The next meeting of the Pensions Sub –Committee will take place on 9 September 2015.	
	Further meetings of the Sub-Committee for the 2015 – 2016 municipal year are scheduled for:	
	<ul style="list-style-type: none"> • 25 November 2015 • 16 March 2015 	
10.	EXCLUSION OF THE PUBLIC AND PRESS	
	The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.	
11.	EXEMPT MINUTES OF THE PREVIOUS MEETING	72 - 75
	To approve as an accurate record, and the Chair to sign, the minutes of the meeting held on 17 March 2015.	
12.	PENSION FUND MANAGEMENT EXPENSES	76 - 83
	To receive a report on the Pension Fund Management Expenses.	
13.	ASSET TRANSITION SUMMARY	84 - 91
	To receive a summary report with details of the implementation of new investments since 12 December 2014.	
14.	INVESTMENT STRATEGY NEXT STEPS	92 - 102
	The paper reviews the decisions on the investment strategy to date. The Sub-Committee is asked for its views on the next steps of the Pension Fund Investment Strategy.	

Agenda Item 1



London Borough of Hammersmith & Fulham

Pensions Sub-Committee Minutes

Tuesday 17 March 2015

PRESENT

Committee members: Councillors Michael Adam, Nicholas Botterill, Iain Cassidy (Chair), PJ Murphy and Guy Vincent.

Officers: David Coates (Interim Payroll Manager), Jonathan Hunt (Tri-Borough Director for Treasury and Pensions), Debbie Morris (Bi-Borough Director for HR), Nicola Webb (Pension Fund Officer) and Ibrahim Ibrahim (Assistant Committee Coordinator).

External: Nigel Cosgrove (Standard Life Investments), Graeme Muir (Barnett Waddingham), Richard Marshall (Standard Life Investments) and Alistair Sutherland (Deloitte).

12. MINUTES OF THE PREVIOUS MEETING

(a) Matters Arising

PAGE 3 (5) – Bi-Borough LGPS Pension Administration Services from 1st April 2015

Debbie Morris (Bi-Borough Director for HR) confirmed that Surrey County Council (SCC) provide pension administration services to West Sussex District Council, Westminster City Council (WCC) and to their own Local Authority [SCC].

RESOLVED –

THAT, the minutes of the meeting held on 20 January 2015 were agreed as a correct record and signed by the Chair.

13. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor Guy Vincent.

14. DECLARATIONS OF INTEREST

There were no declarations of interest.

15. PENSION FUND QUARTERLY UPDATE PACK

Nicola Webb (Pension Fund Officer) drew Sub-Committee Members attention to page 37; Appendix 4 of the report, which showed that the Council was likely to be overdrawn by March 2015. It was noted that £83.4m would be withdrawn from the Legal and General Cash Fund, of which £80m would then be used for the M&G investment with the remaining £3.4m being used to cover the payments to year end.

Alistair Sutherland (Deloitte) drew Members attention to pages 12 – 29; Appendix 2 of the report, which showed that Majedie, MFS and Ruffer had outperformed their benchmark figures over the quarter. It was noted that over the long term, Majedie and Ruffer were continuing to deliver though there were concerns about the MFS Fund. In addition, Members were concerned about Goldman Sachs performance though Alistair Sutherland advised that they offered a risk-controlled portfolio that invested across a range of different categories of bonds and bond like investments.

David Coates (Interim Payroll Manager) confirmed that once the Council had transitioned to SCC from Capita, there would be a review of the risks surrounding the operational administration. In addition, Members requested an ongoing monthly snapshot of the Fund Performance, which had not been sent for some time. Jonathan Hunt (Tri-Borough Director for Treasury and Pensions) agreed to begin forwarding this to Members again.

ACTION: Jonathan Hunt

Debbie Morris drew Members attention to an information note on proposals for a Pensions Annual General Meeting. Members approved the recommendations for a more detailed AGM.

ACTION: Jonathan Hunt, Debbie Morris and Nicola Webb

RESOLVED –

(a) THAT, the Sub-Committee approved the withdrawal of the balance remaining in the Legal and General Investment Management Sterling Liquidity Fund, after funding the M&G investment, and that it is transferred to the Pension Fund Current Account.

(b) THAT, Jonathan Hunt, Debbie Morris and Nicola Webb would prepare a detailed AGM agenda for the next meeting of the Pensions Sub-Committee.

16. PENSION FUND ACTUARIAL SERVICE

The Fund Actuary, Graeme Muir of Barnett Waddingham, attended the Sub-committee to brief members on his role and some of the key issues affecting the funding of the Pension Fund.

It was noted that the Pensions Fund was delivering good investment returns with an actual figure of 8.7% compared with an assumption of 6%. In addition,

it was noted that the Fund had slightly lower long-term inflation expectations at 2.6%.

Jonathan Hunt informed Members that Barnett Waddingham's contract was currently up for renewal on 31st August 2015 and a request for a further one month extension to September 2015 was requested. In response, Members approved a shared services (LBHF, WCC and the Royal Borough of Kensington and Chelsea (RBK&C)) re-tender process as it was felt that the 3 Funds were closely aligned, which presented economies of scale.

RESOLVED –

THAT, the contract for Pension Fund actuarial services with Barnett Waddingham be extended until 30th September 2015, as allowed for under the current contract.

17. STATEMENT OF INVESTMENT PRINCIPLES

Jonathan Hunt introduced the report, which required the Pension Fund to prepare, publish and maintain a Statement of Investment Principles in accordance with Government regulations.

Jonathan Hunt drew Members attention to page 64 – 65; point 5.5 of the report, which set out proposals to increase the limits set out in the table to provide the Fund with greater flexibility to make investments in products in line with the investment strategy. In addition, Jonathan Hunt drew Members attention to page 74; Appendix 1 of the report, where it was noted that the rate of return was expected to be 6%. In addition, Members noted that with reference to page 78; Appendix 1, there was one principle, which was described as partially compliant. In response Jonathan Hunt agreed to examine solutions in order to make this fully compliant though it was noted that this could be role for the Pensions Board.

ACTION: Jonathan Hunt

RESOLVED –

(a) THAT, the Sub-Committee approved the draft Statement of Investment Principles set out in Appendix 1, subject to consultation with the employers of the Pension Fund, and the agreement of the final version being delegated to the Tri-Borough Director for Treasury and Pensions in consultation with the Chair of the Sub-Committee.

(b) THAT, the Sub-Committee agreed to increase the limits on investment as set out in the table, in line with the factors specified in section 5.5 of this report.

18. DATE OF THE NEXT MEETING

14th May 2015, 7pm.

19. EXCLUSION OF THE PUBLIC AND PRESS

The Chair requested for any members of the public and press to leave the meeting room, as all the public reports had been heard and the Committee were then moving onto exempt items.

RESOLVED –

THAT under section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined by paragraph 3 of Schedule 12A of the said Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

20. MINUTES

RESOLVED –

THAT, the exempt minutes of the meeting held on 20 January 2015 were agreed as a correct record and signed by the Chair.

21. STANDARD LIFE LONG LEASE PROPERTY FUND

RESOLVED –

(a) THAT, the Sub-Committee approved the recommendations contained within the report.

(b) THAT, the Sub-Committee approved the recommendations contained within the report.

22. INVESTMENT STRATEGY UPDATE

RESOLVED –

THAT, the Sub-Committee approved the recommendations contained within the report.

23. INFRASTRUCTURE INVESTMENTS

RESOLVED –

THAT, the Sub-Committee approved the recommendations contained within the report.

Meeting started: 7.00pm
Meeting ended: 9.30pm

Chair


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Pensions Sub-Committee – Action Tracker

Meeting	Item and Minute number	Action	Lead	Completion Status
20 January 2015	Bi-Borough LGPS Pension Administration Services from 1 st April 2015 (5)	Sub-Committee Members requested the names of the other organisations currently using Surrey County Council as their pensions administration provider.	Debbie Morris	Yes
20 January 2015	Background and Proposals around the Establishment of a Pensions Board (6)	Committee Services to confirm access to information available to Pension Board Members.	Committee Services	Yes
20 January 2015	Background and Proposals around the Establishment of a Pensions Board (6)	Jonathan Hunt to confirm the number of employer and employee representatives for Full Council on 25 February 2015.	Jonathan Hunt	Yes
20 January 2015	Pension Fund Administration and Governance – <i>Risk Register</i> (7)	Complete mitigating actions and risk ratings.	Debbie Morris	Yes
20 January 2015	Pension Fund Administration and Governance – <i>Draft Scorecard</i> (7)	Sub-Committee Members requested benchmark data to determine how well the Fund was performing compared to other funds.	Jonathan Hunt	Yes
20 January 2015	Investment Strategy Review (10)	Sub-Committee Members requested a briefing from Standard Life at the next Pensions Sub-Committee on 17 March 2015.	Jonathan Hunt	Yes
17 March 2015	Pension Fund Quarterly Update Pack (15)	Members requested an ongoing monthly snapshot of the Fund Performance.	Jonathan Hunt	
17 March 2015	Pension Fund Quarterly Update Pack (15)	Jonathan Hunt, Debbie Morris and Nicola Webb to prepare a detailed agenda for the Pensions Annual General Meeting in time for the next meeting of the Pensions Sub-Committee.	Jonathan Hunt, Debbie Morris and Nicola Webb	

Pensions Sub-Committee – Action Tracker

17 March 2015	Statement of Investment Principles (17)	Principle 4: Performance Assessment was described as partially compliant in the report. Jonathan Hunt agreed to examine solutions in order to make this fully compliant.	Jonathan Hunt	
17 March 2015	Investment Strategy Update (22)	Members requested a briefing paper regarding a passive portfolio as part of the investment strategy.	Jonathan Hunt	

 <p>h&f hammersmith & fulham</p>	<p>London Borough of Hammersmith & Fulham</p> <p>PENSIONS SUB-COMMITTEE</p> <p>24th June 2015</p>
PENSION FUND QUARTERLY UPDATE PACK	
Report of the Director for Finance	
Open Report	
Classification: For Noting	
Key Decision: No	
Wards Affected: All	
Accountable Executive Director: Hitesh Jolapara, Director for Finance	
Report Author: Nicola Webb, Pension Fund Officer	Contact Details: Tel: 020 7641 4331 E-mail: nwebb@westminster.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report is the Pension Fund quarterly update pack for the quarter ended 31st March 2015. The scorecard in Appendix 1 provides a high level view of key pensions issues with more detail provided in the remaining appendices.

2. RECOMMENDATIONS

- 2.1. That the report is noted.

3. REASONS FOR DECISION

- 3.1. Not applicable.

4. INTRODUCTION AND BACKGROUND

- 4.1. At the first meeting of the Pensions sub-committee in January 2015, a proposal for a Pension Fund Quarterly Update Pack was agreed. This report and associated appendices make up the second of these packs for the quarter ended 31st March 2015. It is designed to provide sub-committee members with a high level view of key pensions issues in the scorecard (see Appendix 1) with more detailed information in the remaining appendices.

5. PROPOSAL AND ISSUES

- 5.1. Appendix 2 provides information about the Fund's investments and performance. Alistair Sutherland from Deloitte will be attending the meeting to present this report.
- 5.2. Appendix 3 is the funding level update at 31st March 2015 prepared by the Fund Actuary, Graeme Muir of Barnett Waddingham.
- 5.3. The actual cashflow for the period January to March 2015 and the forecast up to December 2015 is shown in Appendix 4. An analysis of the differences between the actuals and the forecast for the quarter is also shown.
- 5.4. The risk register has been reviewed by officers and is attached as Appendix 5 for information. Three new risks have been included – numbers 13, 16 and 19. Two risks – numbers 10 and 11 have had their ratings changed. The rationale for the changes is set out on the first page of Appendix 5.
- 5.5. A summary of the voting undertaken by the investment managers running segregated equity portfolios forms Appendix 6.
- 5.6. The increase in employer numbers is the result of two new academies joining the Fund and an academy outsourcing its IT services. One member of staff TUPE transferred to the IT provider, Civica, and so they are now an employer in the Fund.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Not applicable.

7. CONSULTATION

- 7.1. Not applicable.

8. EQUALITY IMPLICATIONS

- 8.1. Not applicable.

9. LEGAL IMPLICATIONS

9.1. Not applicable.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1 Not applicable.

11. RISK MANAGEMENT

11.1. The Pension Fund risk register is attached in Appendix 5.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location

LIST OF APPENDICES:

Appendix 1: Scorecard at 31st March 2015

Appendix 2: Deloitte quarterly report for quarter ended 31st March 2015

Appendix 3: Barnett Waddingham quarterly report at 31st March 2015

Appendix 4: Cashflow monitoring

Appendix 5: Pension Fund Risk Register

Appendix 6: Pension Fund Voting Summary

Appendix 1: Scorecard at 31st March 2015

HAMMERSMITH AND FULHAM PENSION FUND
QUARTERLY MONITORING

	Sep 14	Dec 14	Mar 15	Jun 15	Comment/ Report Ref if applicable
INVESTMENTS					
Value (£m)	785.4	831.1	865.0		Deloitte report Appendix 2
% return quarter	2.1%	5.9%	4.6%		
% return 1 year	8.3%	11.3%	15.1%		
LIABILITIES					
Value (£m)	927.3	945.9	995.4		Barnett Waddingham report Appendix 3
Deficit (£m)	133.6	118.9	126.4		
Funding Level	86%	87%	87%		
MEMBERSHIP					
Active members	4,084	4,014	4,024		N/A
Deferred beneficiaries	5,871	5,943	5,957		
Pensioners	4,292	4,287	4,288		
Employers	30	30	33		
ADMINISTRATION					
Overall targets met by Capita excluding backlog	78.7%	93.4%	94.2%		N/A
Overall targets met by Capita including backlog	49.6%	56.6%	69.4%		
CASHFLOW					
Cash balance	£8.14m	£3.51m	£4.49m		Appendix 4
Variance from forecast	+ £226k	0	+£1.67m		
RISK					
No. of new risks	N/A	None	3		Appendix 5
No. of ratings changed	N/A	None	2		
VOTING					
No. of resolutions voted on by fund managers	217	334	374		Appendix 6
LGPS REGULATIONS					
New consultations	None	One	None		N/A
New sets of regulations	None	None	None		



London Borough of Hammersmith &
Fulham Pension Fund
Investment Performance Report
to 31 March 2015 – Executive Summary

Deloitte Total Reward and Benefits Limited
June 2015

The background of the page features a close-up photograph of a yellow file folder. A white label with the word "INVESTMENTS" in bold, black, uppercase letters is attached to the folder. The folder is filled with papers, and other labels are visible in the background. Overlaid on the image are several concentric white circles of varying diameters, creating a circular pattern that frames the central text.

INVESTMENTS

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1 Market Background

Three and twelve months to 31 March 2015

UK equities offered a positive return over the 3 months to 31 March 2015, with the FTSE All Share Index returning 4.7%. UK markets benefitted from positive macroeconomic news with the likelihood of a rate rise being pushed back in both the US and UK and the ECB's announcement that it would begin a programme of quantitative easing. Oil prices continued to fall, reaching a low of c. \$45 per barrel during the first quarter.

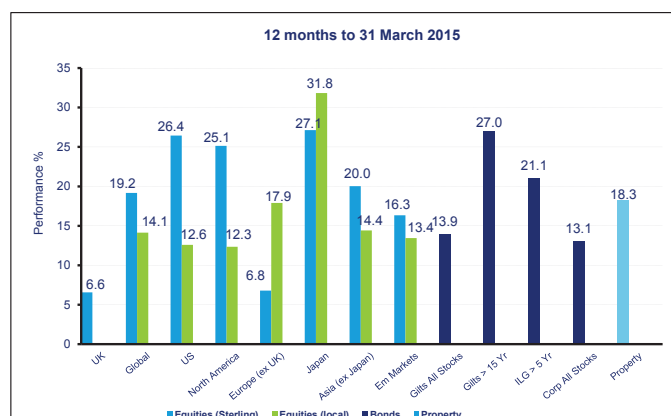
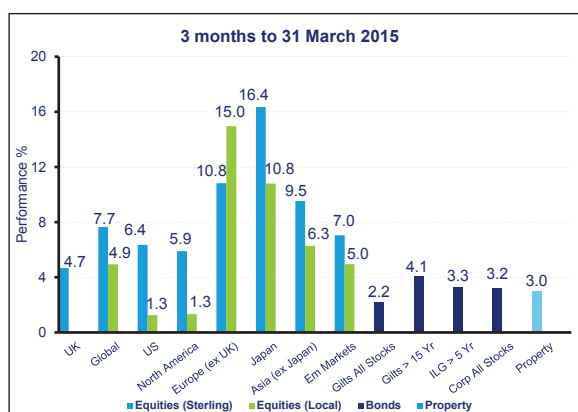
Mid cap companies led the way in the first quarter with the FTSE 250 returning 6.7%. There was a marked difference in performance at the sector level, with the Consumer Services sector offering the highest return of 10.0%. The Utilities sector was the worst performing over the quarter, with falling oil prices contributing to a return of -6.3%.

Global equity markets outperformed the UK in both sterling and local currency terms over the first quarter of 2015, returning 7.7% and 4.9% respectively. Currency hedging was therefore detrimental to investors as sterling depreciated strongly versus the US dollar and Japanese yen. At a regional level, Europe delivered the highest local currency return of 15.0% on the back of the ECB's announcement and returned 10.8% in sterling terms as the euro depreciated. North America was the poorest performing region with concerns that a strong dollar would impact corporate earnings, returning 5.9% in sterling terms and 1.3% in local currency terms.

UK nominal gilts also performed positively over the first quarter as yields dropped to a new record low at the end of January, but bounced back in February, only to go lower again over March to end the quarter around 20 basis points lower overall. The All Stocks Gilt Index returned 2.2% over the 3 months to 31 March 2015 and the Over 15 Year Gilt Index returned 4.1%. Real yields on UK index-linked gilts fell by a similar amount over the period with the Over 5 Year Index-linked Gilt Index returning 3.3% over the quarter. Corporate bonds performed positively over the first quarter, with the iBoxx All Stocks Non Gilt Index returning 3.2% on the back of the fall in gilt yields and narrowing credit spreads.

Over the year to 31 March 2015, the FTSE All Share Index returned 6.6%. At the sector level, Health Care delivered the highest return (16.7%) performing well ahead of the poorest performing sector over the year, Basic Materials (-14.9%). Global markets outperformed the UK in both sterling and local currency terms over the year. The FTSE All World Index returned 19.2% in sterling terms and 14.1% in local currency terms. Currency hedging was therefore detrimental as sterling depreciated significantly against the US dollar.

UK nominal gilts delivered an exceptionally high return over the last 12 months as gilt yields fell across all maturities, most profoundly at the longer end of the curve. The All Stocks Gilt Index returned 13.9% and the Over 15 Year Gilt Index returned 27.0% over the 12 month period. Real yields also fell significantly with the Over 5 Year Index-linked Gilt Index returning 21.1% over the year. Corporate bond markets performed positively over the 12 months to 31 March 2015, benefitting from the fall in gilt yields, with the iBoxx All Stocks Non Gilt Index returning 13.1%. The UK property market continued to perform strongly, returning 3.0% over the quarter and 18.3% over the year to 31 March 2015.



2 Performance Overview

Breakdown of Fund Performance by Manager as at 31 March 2015

Fund	Manager	3 month (%)	1 year (%)	2 year (%) p.a.	3 year (%) p.a.	5 year (%) p.a.
UK Equity Mandate						
	Majedie	5.5	9.0	15.3	17.0	13.0
<i>FTSE All Share</i>		4.7	6.7	7.7	10.8	8.5
<i>Difference</i>		0.8	2.3	7.6	6.2	4.5
Overseas Equity Mandate						
	MFS	7.4	22.0	13.5	14.3	11.1
<i>MSCI AC World Growth (ex UK)</i>		10.0	24.5	15.0	15.4	11.2
<i>Difference</i>		-2.5	-2.5	-1.5	-1.1	-0.1
Dynamic Asset Allocation Mandate						
	Ruffer	4.7	11.3	6.0	7.4	6.7
<i>3 Month Sterling LIBOR + 4% p.a</i>		1.1	4.6	4.6	4.6	4.7
<i>Difference</i>		3.6	6.7	1.4	2.8	2.0
Matching Fund						
	Goldman Sachs	-0.9	-2.1	0.6	2.0	1.6
<i>3 Month Sterling LIBOR + 2% p.a</i>		0.6	2.6	2.6	2.6	2.7
<i>Difference</i>		-1.5	-4.7	-2.0	-0.6	-1.1
	Legal & General	4.9	42.6	14.0	n/a	n/a
<i>Bespoke liability related benchmark</i>		3.0	24.6	7.1	n/a	n/a
<i>Difference</i>		1.9	18.0	6.9	n/a	n/a
Private Equity						
	Invesco	7.0	38.1	20.0	17.1	17.1
	Unicapital	-3.9	-1.1	-0.3	3.4	6.3
Secure Income						
	Partners Group	n/a	n/a	n/a	n/a	n/a
<i>3 Month Sterling LIBOR + 4% p.a</i>		n/a	n/a	n/a	n/a	n/a
Total Fund						
		4.5	14.7	10.3	11.7	9.8
<i>Benchmark*</i>		3.9	11.0	7.5	8.8	8.6
<i>Difference</i>		0.6	3.7	2.8	2.9	1.2
<i>Liability Benchmark + 2.2% p.a.</i>		2.1	14.5	6.2	8.0	10.7

Source: Northern Trust (Custodian). Figures are quoted net of fees and estimated by Deloitte. Differences may not tie due to rounding.

(*) The Total Assets benchmark is the weighted average performance of the target asset allocation. Partners Group was funded in January therefore quarter returns are not available.

3 Total Fund

Investment Performance to 31 March 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund – Gross of fees	4.6	15.1	10.7	12.2	10.2
Net of fees ⁽¹⁾	4.5	14.7	10.3	11.7	9.8
Benchmark ⁽²⁾	3.9	11.0	7.5	8.8	8.6
Gross performance relative to fixed benchmark	0.7	4.1	3.2	3.4	1.6

Source: Northern Trust. Relative performance may not sum due to rounding.

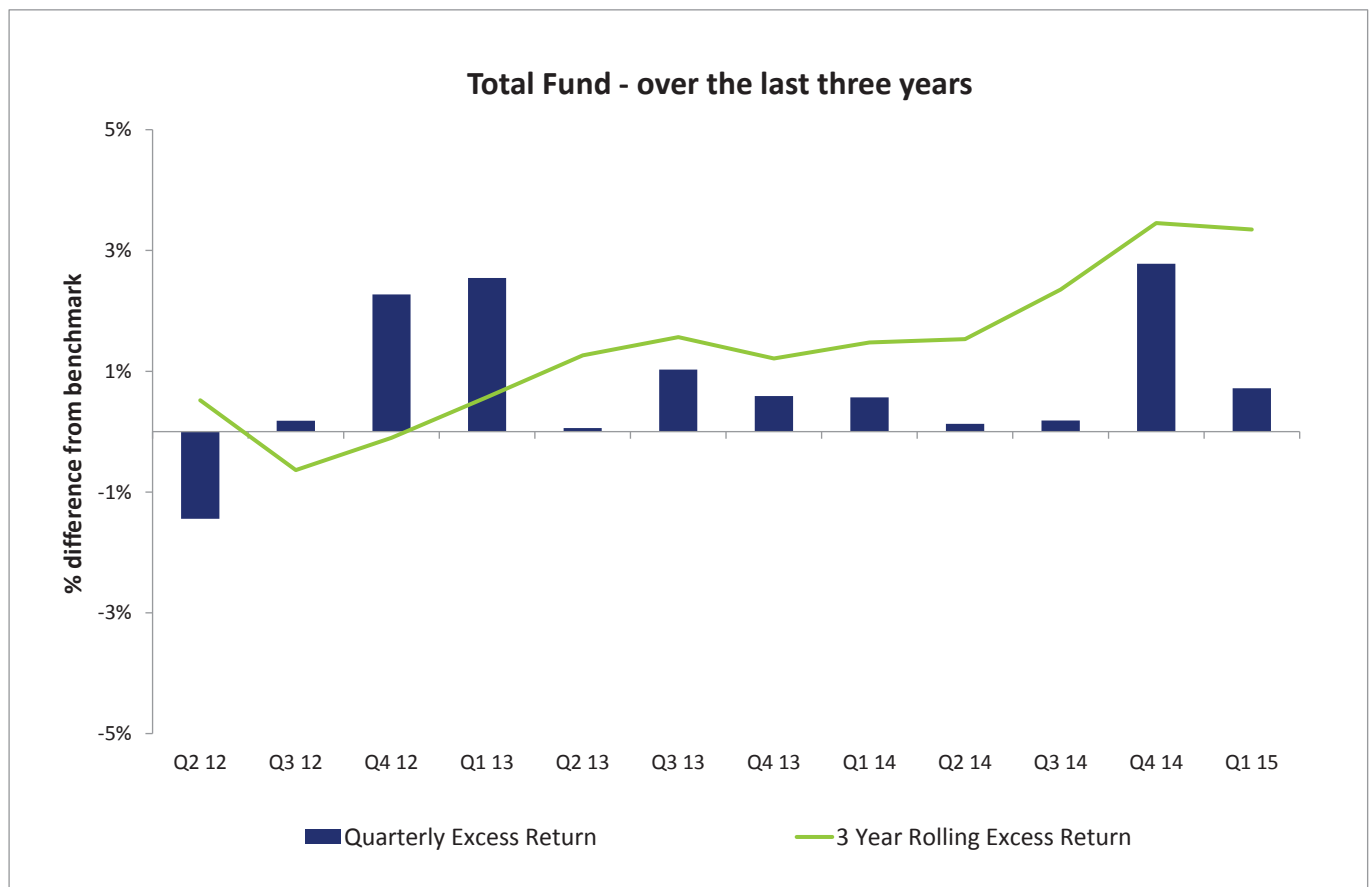
(1) Estimated by Deloitte

(2) Average weighted benchmark

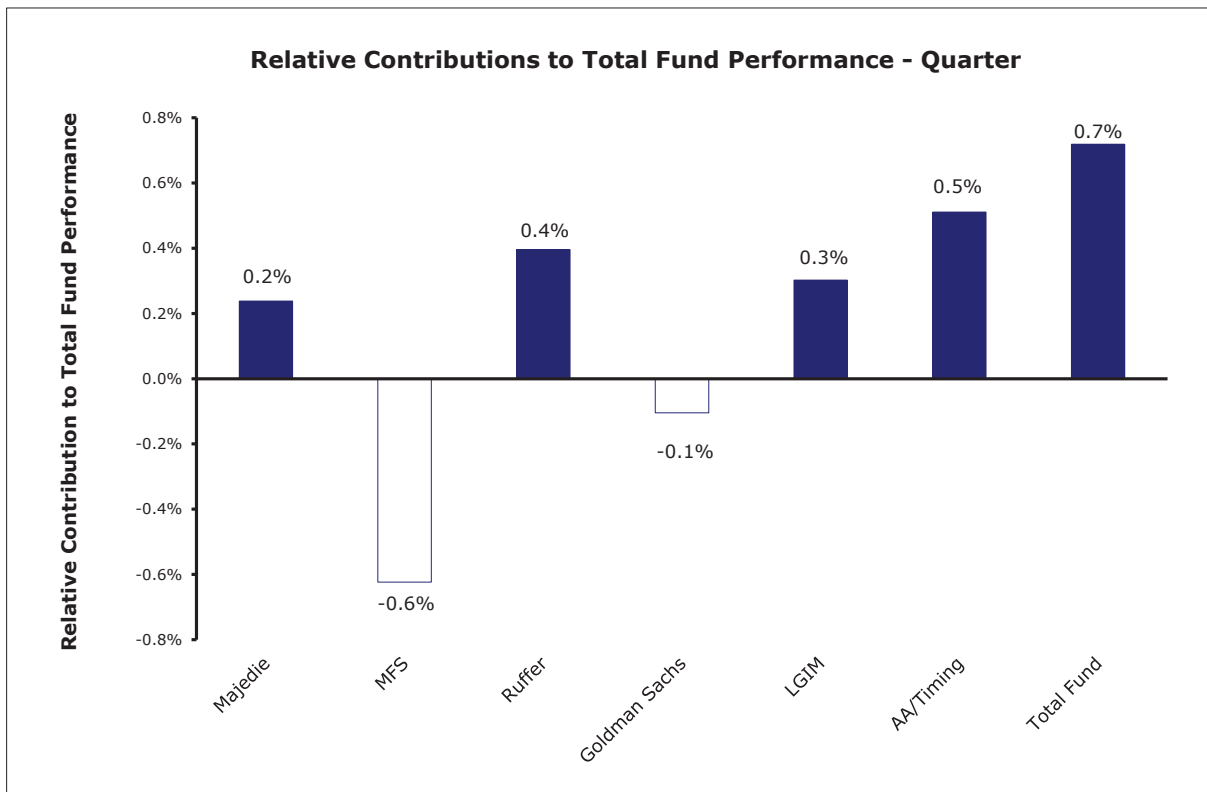
Over the quarter, the Total Fund outperformed its fixed weighted benchmark by 0.6% on a net of fees basis.

Over the one and three year period to 31 March 2015 the Fund has outperformed its benchmark by 3.7% and 2.9% per annum respectively net of fees.

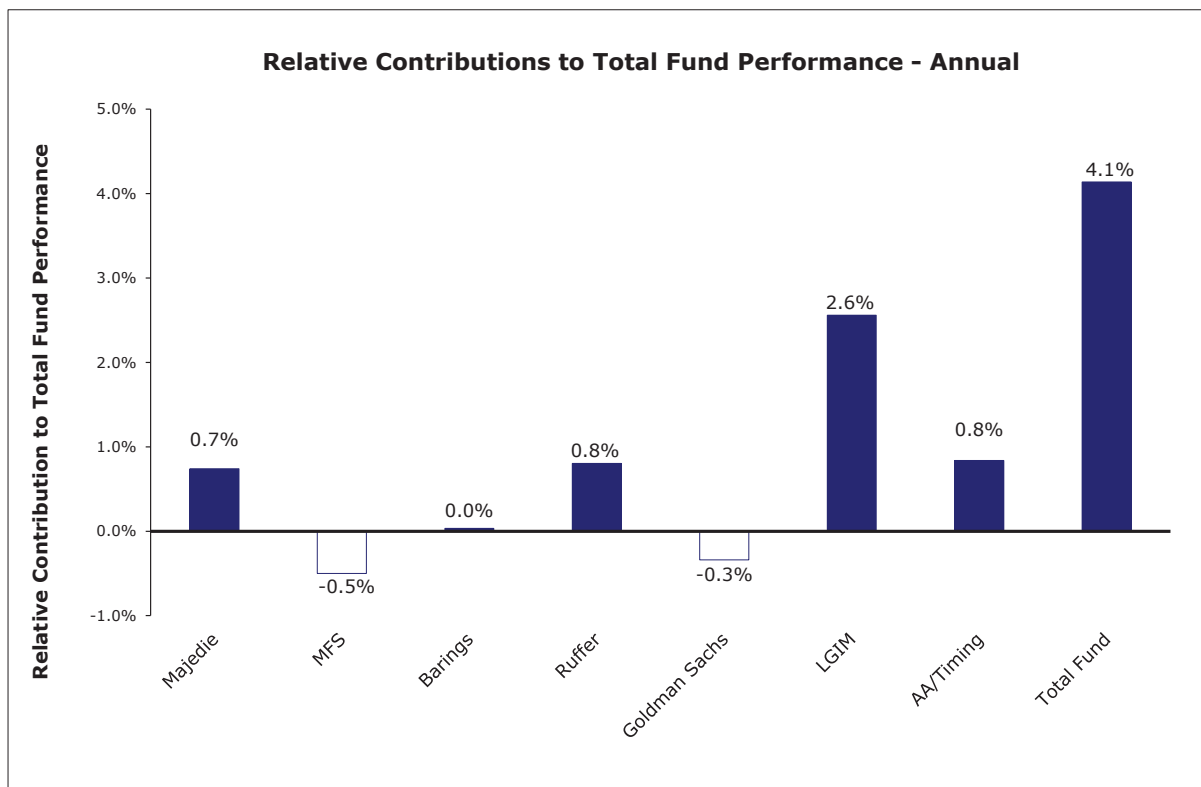
The chart below compares the gross performance of the Fund relative to the fixed weight benchmark over the three years to 31 March 2015, highlighting the strong relative returns over the last couple of years – much of which can be attributed to the outperformance achieved by Majedie.



Attribution of Gross Performance to 31 March 2015



On a gross performance basis, the Fund outperformed the composite benchmark by 0.7% over the first quarter of 2015, with positive contributions from Ruffer, LGIM and Majedie; MFS and Goldman Sachs detracted from overall performance.



Over the last year the Fund outperformed the composite benchmark by 4.1%, with LGIM, Majedie and Ruffer driving the longer term outperformance, more than offsetting the below-target performance from MFS and Goldman Sachs.

Asset Allocation

The table below shows the assets held by manager as at 31 March 2015 alongside the Benchmark Allocation.

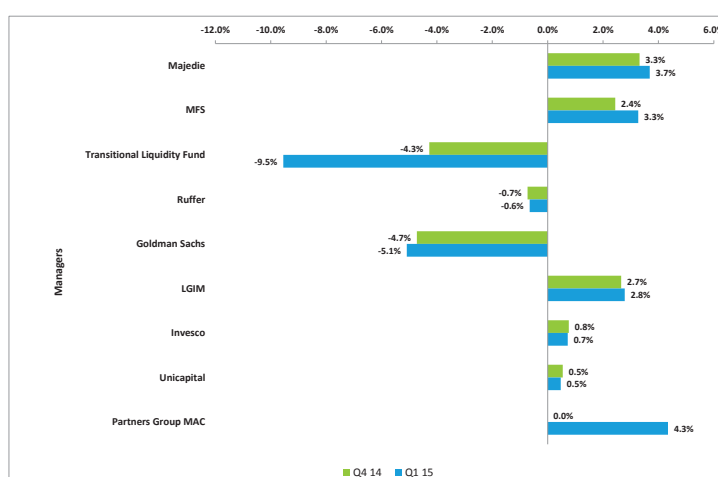
Manager	Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
		31 Dec 2014 (£m)	31 Mar 2015 (£m)	31 Dec 2014 (%)	31 Mar 2015 (%)	
Majedie	UK Equity (Active)	214.6	226.5	25.8	26.2	22.5
MFS	Overseas Equity (Passive)	207.3	222.9	24.9	25.8	22.5
	Total Equity	421.8	449.4	50.8	52.0	45.0
LGIM	Liquidity Fund	120.8	80.0	14.5	9.2	18.8
Ruffer	Absolute Return	87.0	91.3	10.5	10.6	11.2
	Sub –total	207.9	171.3	25.0	19.8	30.0
Goldman Sachs	Absolute Return Bond	64.6	64.1	7.8	7.4	12.5
LGIM	Matching	125.9	132.2	15.2	15.3	12.5
	Total Matching	190.5	196.3	22.9	22.7	25.0
Invesco	Private Equity	6.3	6.3	0.8	0.7	0.0
Unicapital	Private Equity	4.5	4.1	0.5	0.5	0.0
	Total Private Equity	10.9	10.4	1.3	1.2	0.0
Partners Group	Mutli Asset Credit	0.0	37.6	0.0	4.3	0.0
	Secure Income	0.0	37.6	0.0	4.3	0.0
	Total	831.1	865.0	100.0	100.0	100.0

Source: Northern Trust (Custodian) and have not been independently verified

Figures may not sum to total due to rounding

Over the quarter the market value of the assets rose by c. £33.9m with all mandates delivering positive absolute returns with the exception of Goldman Sachs' Absolute Return Bonds strategy and Unicapital.

The Fund is currently going through a transitional period and, as such, the asset allocation chart below is not a fair reflection on the relative underweight and overweight positions. Following the quarter end, the Fund has funded investments with Oak Hill Advisors, Standard Life and M&G. From the start of Q2 2105 we will be monitoring the performance of the Fund as a whole against the revised allocation that was proposed in the strategy review.



4 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
Majedie	UK Equity	Further turnover within the core investment team Re-opening the UK equity products with no clear limits on the value of assets that they would take on	1
MFS	Overseas Equity	Departures of either of the lead portfolio managers Indications of a change to the process or investment philosophy	2
Ruffer	Absolute Return	Departure of either of the co-portfolio managers from the business Any significant change in ownership structure	n/a
Goldman Sachs	Bonds	Significant changes to the investment team responsible for the Fund Any significant change in process or philosophy	2
LGIM	Matching Bonds	Departures of senior members of the LDI investment team	1
Partners Group	Multi Asset Credit	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 7 year lock-up period	1

Majedie

From the UK equity side of the business, Majedie has seen a further outflow of money from the funds, continuing the trend of pension schemes de-risking – much of the resulting capacity has been taken up by other investors with the consequence that pension scheme investors now only account for c. 40% of the Fund's AuM.

Gavin Murray, an equities dealer for the past 30 years has retired from Majedie, with Simon Cuthbert taking up the reins. Simon joins the Majedie team from Investec. Adam Parkes, one of the co-founders of Majedie and co-manager of the UK Smaller Companies Fund is retiring on 30 June 2015. Richard Staveley, the other co-manager of the UK smaller Companies Fund will take full control of the Fund. This handover has been well managed by Majedie over the past few quarters.

Deloitte view – We continue to rate Majedie positively for its UK equity capabilities and while we do not see the departure of Parkes as a particular source of concern by itself, we recognise that the success of the business to date can be attributed to a handful of senior, experienced individuals who will, at some point, look to exit. Majedie recognises the need to carefully manage succession planning within the team and believes the multi-manager approach helps smooth transitions.

MFS

There were no changes to the team managing the strategy over the quarter and the process remains unchanged.

Deloitte View: While we continue to regard MFS' overall global equity capabilities positively, we recognise that the performance of this particular strategy has been disappointing and, given our preferred strategy within MFS is capacity constrained, believe that consideration should be given to switching the assets to an alternative provider.

Ruffer

There were no changes to the team or process over the quarter. Ruffer continues to hold around 40% of the fund in inflation linked bonds.

Deloitte view – The Ruffer product is distinctive within the universe of diversified growth managers with the manager willing to take contrarian, long term positions within the portfolio drawing on the expertise of external funds.

Goldman Sachs

There were no changes to the team or processes applied in the management of the Fund's mandate during the quarter. As we reported last quarter, during Q1 it was announced that David Bowen, who ran the Emerging Markets Currency team has left the business to "pursue other opportunities". Sam Finkelstein who, prior to February last year, was responsible for leading both the Emerging Market Debt and Currency teams will resume the day to day leadership of the currency element on an interim basis while a replacement for Bowen is found.

Deloitte view – Goldman Sachs purports to offer a risk-controlled product investing across a range of different categories of bonds and bond like investments. It has become clear over the last 12 – 18 months that the risk being taken within this strategy has been dominated by duration positions which have detracted.

LGIM

LGIM continues to grow its business across both the passive management and investment solutions, with no significant changes to the team or processes over the quarter.

Deloitte view – We rate LGIM positively for its passive and LDI capabilities.

Partners Group – Multi Asset Credit (MAC)

The net asset value of the MAC Fund was £185.2m as at 31 March 2015. Investors have committed a total of £244.8m to the Fund and the final drawdown request was paid on 5 May 2015. Partners Group has allocated all commitments to deals and the Fund is on track to be fully invested within the targeted 12 month period. Partners Group continues to see a number of attractive deals in the pipeline and would consider replacing an existing holding should a more attractive opportunity be sourced.

In July 2015, Partners Group expects to launch the successor fund, Multi Asset Credit 2015.

Andrew Vo joined the portfolio management team in April 2015 and will be an Associate in the New York office following a few months training in Zug.

Deloitte view – We continue to rate Partners Group for its private market capabilities.

5 Majedie – UK Equity

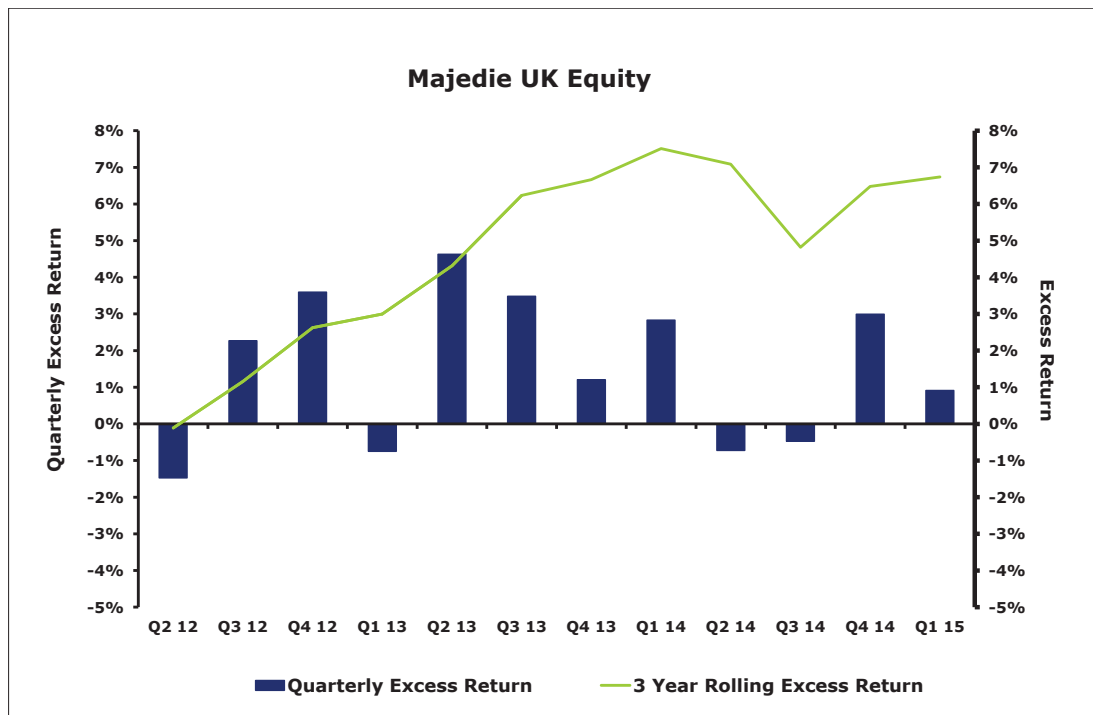
Majedie was appointed to manage an actively managed segregated UK equity portfolio. The manager's remuneration is a combination of a tiered fixed fee, based on the value of assets and a performance related fee of 20% of the outperformance which is payable when the excess return over the FTSE All Share +2% p.a. target benchmark over a rolling three year period. The investment with Majedie comprises a combination of the UK Equity Fund (no more than 30%), the UK Focus Fund and a holding in Majedie's long/short equity fund, Tortoise (no more than 10%).

UK equity – Investment Performance to 31 March 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.) ⁽¹⁾	Three Years (% p.a.)	Five Years (% p.a.)
Majedie – Gross of fees	5.6	9.4	15.7	17.4	13.3
Net of fees ⁽¹⁾	5.5	9.0	15.3	17.0	13.0
Benchmark	4.7	6.7	7.7	10.8	8.5
Target	5.2	8.7	9.7	12.8	10.5
Gross performance relative to Benchmark	0.9	2.7	8.0	6.6	4.8

Source: Northern Trust

(1) Estimated by Deloitte



The outperformance of the UK Equity Fund over the quarter was a significant contributor to the overall performance of the Fund as a whole. The UK Focus Fund outperformed the FTSE All Share by 1.4% over the quarter, returning 6.1% gross of fees, although this was offset to an extent by the Tortoise Fund which returned 3.3%.

The fund's overweight position in Tesco worked helped as it was the top performing holding over the quarter, contributing 0.4% to the total performance. However, at a sector level, Oil and Gas Producers was the top performer with Food & Drug Retailers also contributing positively.

6 MFS – Overseas Equity

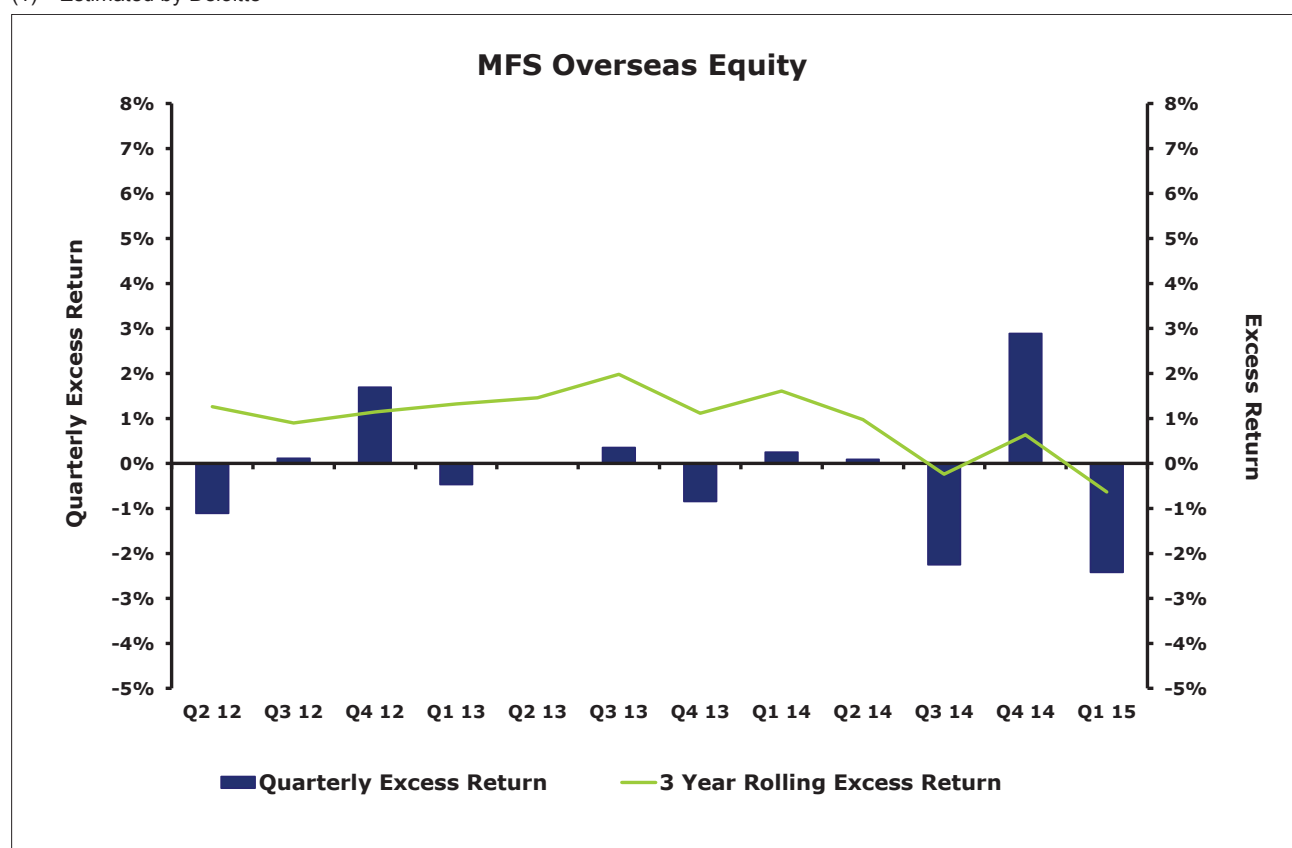
MFS was appointed to manage an overseas equity portfolio with the objective of delivering 2% outperformance on MSCI AC World Growth Ex UK Index benchmark over rolling three year period. The manager is remunerated on a tiered fixed fee based on the value of assets.

Overseas Equity – Investment Performance to 31 March 2015

	Last Quarter (%)	One Year (%)	Two Years ⁽¹⁾ (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
MFS – Gross of fees	7.6	22.5	13.9	14.7	11.6
Net of fees ⁽¹⁾	7.4	22.0	13.5	14.3	11.1
Benchmark	10.0	24.5	15.0	15.4	11.2
Target	10.5	26.5	17.0	17.4	13.2
Gross performance relative to Benchmark	-2.4	-2.0	-1.1	-0.7	0.4

Source: Northern Trust. Relative performance may not tie due to rounding.

(1) Estimated by Deloitte



The MFS fund underperformed its benchmark by 2.6% and 2.5% over the quarter and one year period respectively to 31 March 2015, net of fees. Weak stock selection accounted for the majority of underperformance. The Fund's holdings of Want Want China Holdings, the Foods Producer, contributed to underperformance. Stock selection within the Health Care sector also detracted from performance.

MFS has a growth bias and for the purposes of this analysis is measured against a growth index. While the fund has outperformed its benchmark over the longer term (five year period), it has not been able to meet its outperformance target which is to beat the benchmark by +2% p.a. It is worth noting that the growth index has outperformed the broader market over the last 1, 3 and 5 years.

7 Ruffer – Absolute Return

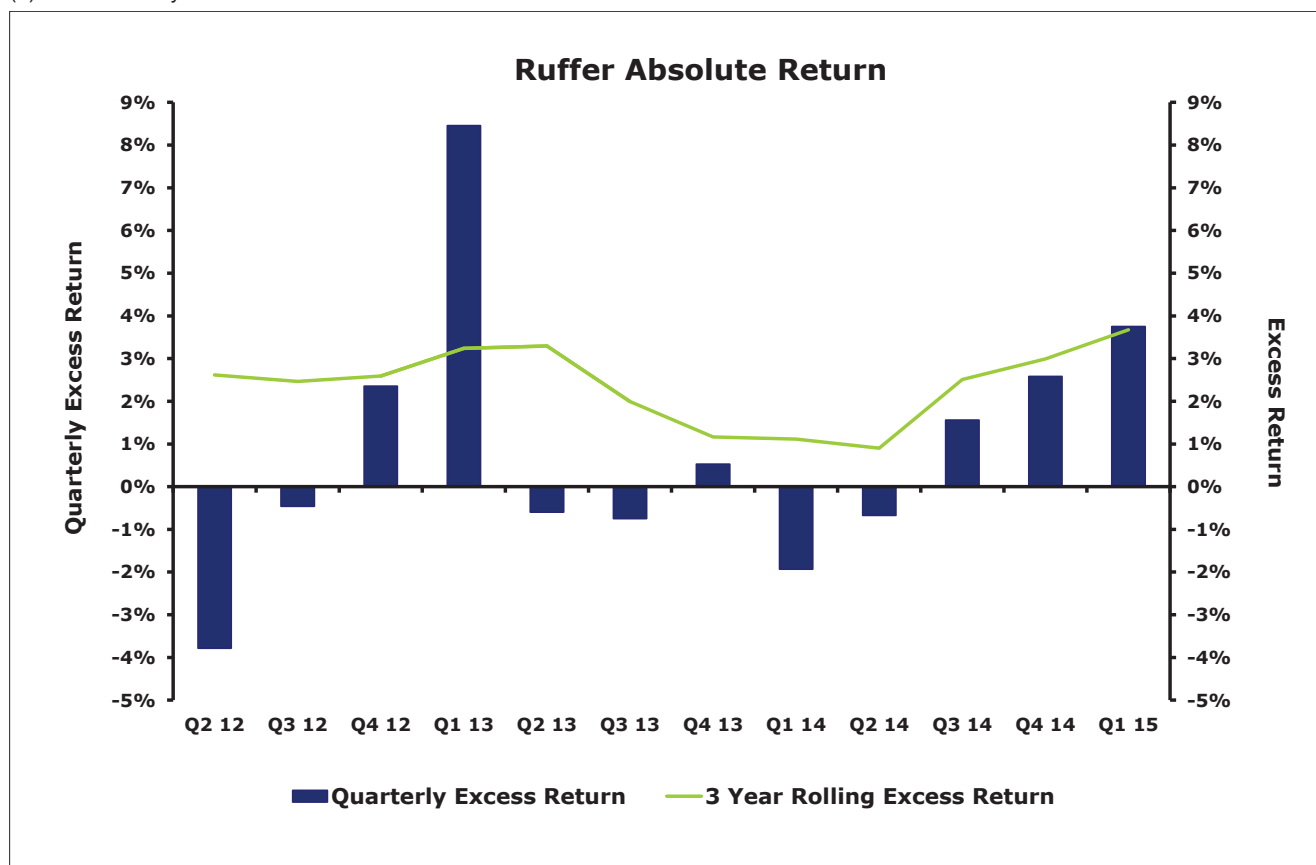
Ruffer was appointed to manage an absolute return mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

Investment Performance to 31 March 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.) ⁽¹⁾	Three Years (% p.a.)	Five Years (% p.a.)
Ruffer - Gross of fees	4.9	12.2	6.8	8.3	7.6
Net of fees ⁽¹⁾	4.7	11.3	6.0	7.4	6.7
Benchmark	1.1	4.6	4.6	4.6	4.7
Target	1.1	4.6	4.6	4.6	4.7
Gross performance relative to Benchmark	3.8	7.6	2.3	3.7	2.8

Source: Northern Trust. Relative performance may not tie due to rounding.

(1) Estimated by Deloitte



Ruffer outperformed its target by 3.6% over the quarter and 6.7% over the one year period to 31 March 2015, net of fees. Ruffer has outperformed its target over the longer three and five year periods, helped by exceptional performance around the turn of the year 2012/13.

The UK long-dated index-linked bonds holding provided gains as the launch of the ECB's quantitative easing programme drove bond yields lower over the quarter. European and Japanese equities also contributed as both rose in Q1 2015.

8 Goldman Sachs – Absolute Return Bonds

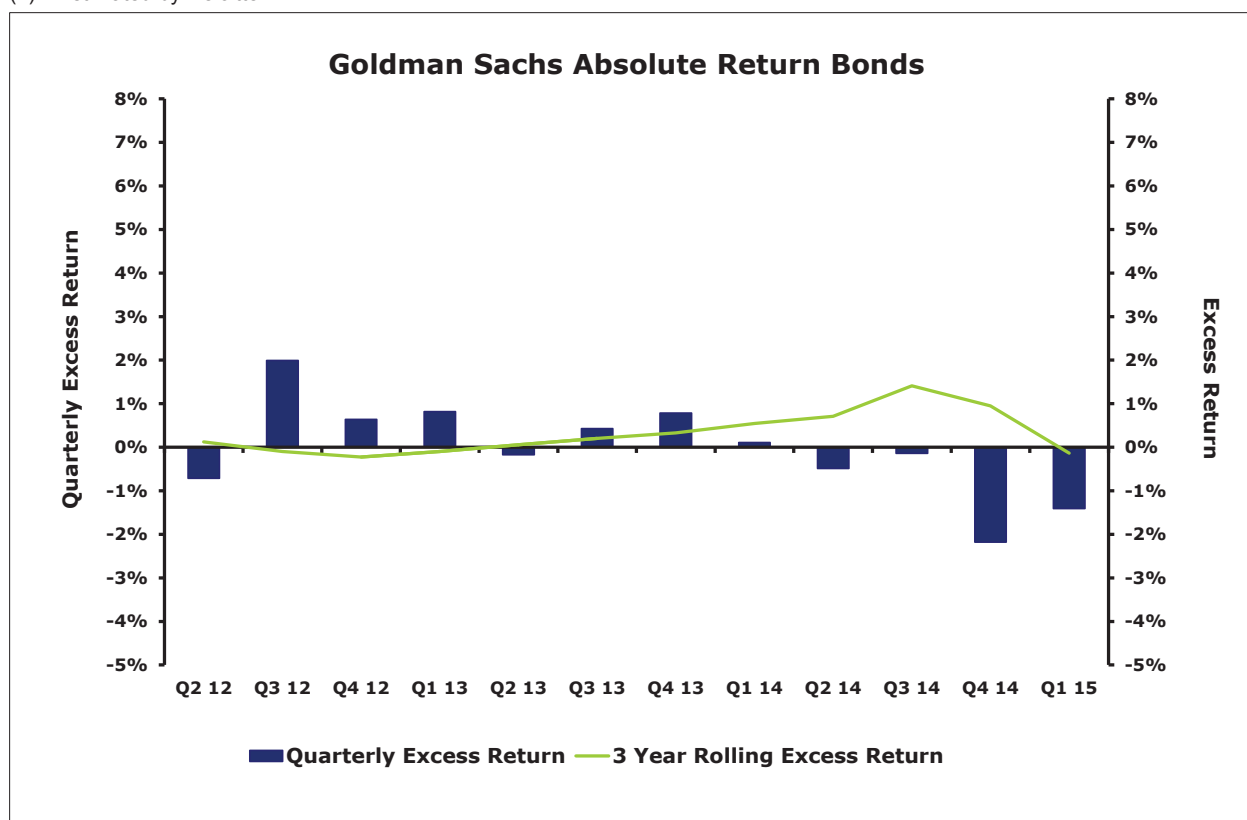
Goldman Sachs was appointed to manage an active bond portfolio with an aim of outperforming the 3 Month Sterling LIBOR by 2% over a rolling three year period. The fees are based on the value of assets invested in the fund.

Investment Performance to 31 March 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Goldman Sachs – Gross of fees	-0.8	-1.7	1.0	2.5	2.0
Net of fees ⁽¹⁾	-0.9	-2.1	0.6	2.0	1.6
Benchmark	0.6	2.6	2.6	2.6	2.7
Target	0.6	2.6	2.6	2.6	2.7
Gross Performance relative to Benchmark	-1.4	-4.3	-1.6	-0.1	-0.7

Source: Northern Trust. Relative performance may not tie due to rounding.

(1) Estimated by Deloitte



Goldman Sachs underperformed its target over the quarter to 31 March 2015 by 1.5% and 4.7% respectively, net of fees. The Fund remains behind its target over the longer 3 and 5 year periods.

During the quarter the main detractors from performance came from the short duration positions in the US within the duration strategy and the short Swiss Franc position within the currency strategy. The government/swap selection strategy contributed positively, due to Goldman Sachs' positioning on the USD curve.

Over the last 12 – 18 months the key detractor to performance has been the short duration strategy which has swamped the impact of positive selection within credit markets.

9 LGIM – LDI Bonds

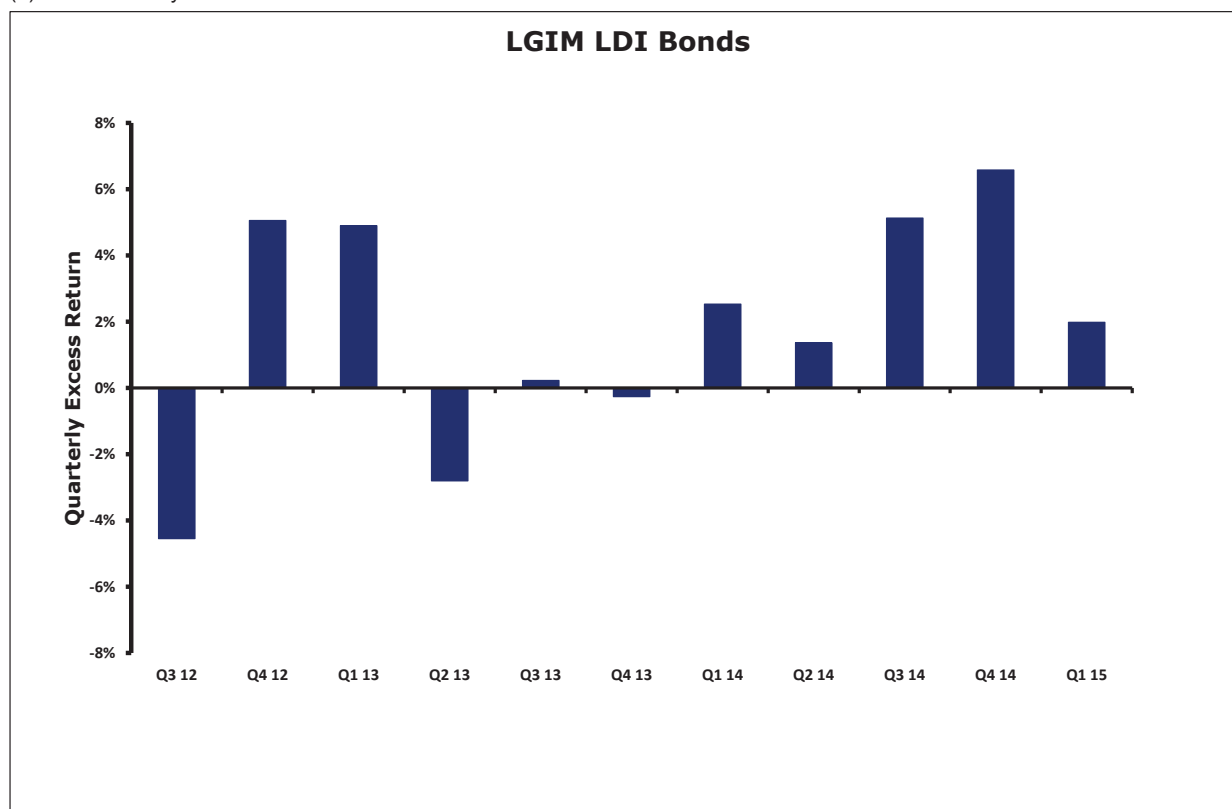
LGIM has a liability matching mandate with the aim of tracking the performance of a leveraged mixture of inflation-linked bonds. Fees are charged based on the value of assets, subject to a minimum fee each year.

Investment Performance to 31 March 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Since Inception 31/03/12 (% p.a.)
LGIM – Gross of fees	5.0	42.8	14.2	18.3
Net of fees ⁽¹⁾	4.9	42.6	14.0	18.2
Benchmark	3.0	24.6	7.1	11.4
Gross performance relative to benchmark	2.0	18.2	7.1	6.9

Source: Northern Trust. Relative performance may not tie due to rounding.

(1) Estimated by Deloitte



In the table and chart above we have only shown the performance since the mandate was changed to the current bespoke LDI structure.

Over the quarter, the portfolio outperformed its measurement benchmark by 1.9% net of fees.

It should be borne in mind that the portfolio has not been rebalanced since it was put in place. The initial structure of the mandate was based on cash flows from the 2010 valuation provided by the previous investment advisor. The current measurement benchmark may no longer be appropriate.

Since the quarter end, this portfolio has been unwound to help fund the new mandates.

10 Partners Group – Multi Asset Credit

Partners Group was appointed to manage a multi asset credit mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has an annual management fee and performance fee.

Investment Performance to 31 March 2015

The Fund invested in the Partners Group Multi Asset Credit Fund on 28 January 2015, funding 75% of their £50m commitment, with the remaining 25% being called on 28 April 2015. As such, there is no quarterly performance data available.

Asset Allocation

The table below shows details of the Fund's five largest holdings based on net asset value as at 31 March 2015.

Investment	Description	Type of Debt	Tranche	Maturity Date	Target IRR (%)	NAV (£m)	% of NAV
Advanced Computer Software	UK software developer.	Corporate	First lien	20 Mar 2022	8.1	12.5	9.2
SkinnyPop Popcorn LLC	US provider of healthier popcorn.	Corporate	First lien	17 July 2019	6.4	9.6	7.1
ABILITY Network Inc	Provider of connectivity, workflow and payment solutions for the US healthcare market.	Corporate	First lien and second lien	16 May 2021 and 16 May 2022	8.8	8.1	6.0
Idera Inc	Provider of performance monitoring software for physical, virtual and cloud-based application ecosystems.	Corporate	First lien	5 Nov 2020	7.1	7.6	5.6
CCM Pharma	International drugs company.	Corporate	First lien	31 Dec 2019	5.8	7.5	5.5

Partners Group added 4 new investments to the Fund over the first quarter of 2015 and a further 12 in April 2015, bringing the total number of holdings in the Fund to 37 as at 27 April 2015. The majority of new investments were corporate debt deals, however there were two real estate investments made over the period.

A brief summary of two new investments can be found below:

Advanced Computer Software – Corporate Debt

A first lien senior secured loan to Advanced Computer Software, a software development company for mid-market enterprises and healthcare management companies. This asset has become the Fund's largest investment based on net asset value. The loan pays interest of US LIBOR (subject to a 1% floor) + 5.5% and is expected to achieve a gross IRR of 8.1%, assuming it is held until 2018. Partners Group believes the company is an attractive borrower, operating in a niche market with a large diversified customer base.

SIG – Corporate Debt

A first lien senior secured loan to SIG, a global supplier of carton packaging and vending machines. The loan has a EUR tranche (£50m) and a USD tranche (£5m), paying interest of EURIBOR/LIBOR (subject to a 1% floor) + 4.25%. Partners Group estimates the gross IRRs to be 5.5% and 6.0% respectively. Partners Group believes that SIG is an attractive borrower because this market has high barriers to entry. SIG customers are also tied into purchasing maintenance products for a minimum of 7 years following the purchase of a vending machine giving the company a source of stable income.

Appendix 1 – Fund and Manager Benchmarks

The table in this Appendix details the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 31 December 1999.

Manager	Asset Class	Allocation	Benchmark	Inception Date
Majedie	UK Equity	22.5%	FTSE All-Share Index +2% p.a. over three year rolling periods	31/08/05
MFS	Overseas Equity	22.5%	MSCI AC World Growth Ex UK index	31/08/05
Barings*	Dynamic Asset Allocation	18.8%	3 Month Sterling LIBOR +4% p.a.	31/07/08
Ruffer	Dynamic Asset Allocation	11.2%	3 Month Sterling LIBOR +4% p.a.	31/07/08
Goldman Sachs	Absolute Return Bonds	12.5%	3 Month Sterling LIBOR +2% p.a.	31/03/03
LGIM	LDI Bonds	12.5%	Track the performance of a leveraged mixture of inflation-linked government bonds	11/01/12
Invesco	Private Equity	0.0%	n/a	30/09/09
Unicapital	Private Equity	0.0%	n/a	30/09/09
Partners Group	Multi Asset Credit	0.0%	3 Month Sterling LIBOR +4% p.a.	28/01/15
	Total	100.0%	Liability Benchmark + 2.2%	

* Mandate with Barings was terminated and assets disinvested on 29 August 2014 and transferred to a cash fund with LGIM on a temporary basis.

The benchmark used to measure the estimated movement in liabilities for the Fund, the “Liability Benchmark” is defined using the following range of index linked gilts, designed to closely match the Fund’s liabilities.

45%	Index Linked Treasury Gilt 1.25% 2017
20%	Index Linked Treasury Gilt 1.25% 2027
20%	Index Linked Treasury Gilt 1.25% 2055
10%	Index Linked Treasury Gilt 1.125% 2037
5%	Index Linked Treasury Gilt 0.75% 2047

The investment objective for the Fund is to achieve the Liability Benchmark plus 2.2% per annum.

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 - Risk warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

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London Borough of Hammersmith and Fulham Pension Fund

Funding Update Report

as at 31 March 2015

Graeme D Muir FFA
Barnett Waddingham LLP

13 May 2015

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1. Introduction

- 1.1. We have carried out a quarterly monitoring assessment of the London Borough of Hammersmith and Fulham Pension Fund (the Fund) as at 31 March 2015. The purpose of this assessment is to provide an update on the funding position.
- 1.2. We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

2. Assets

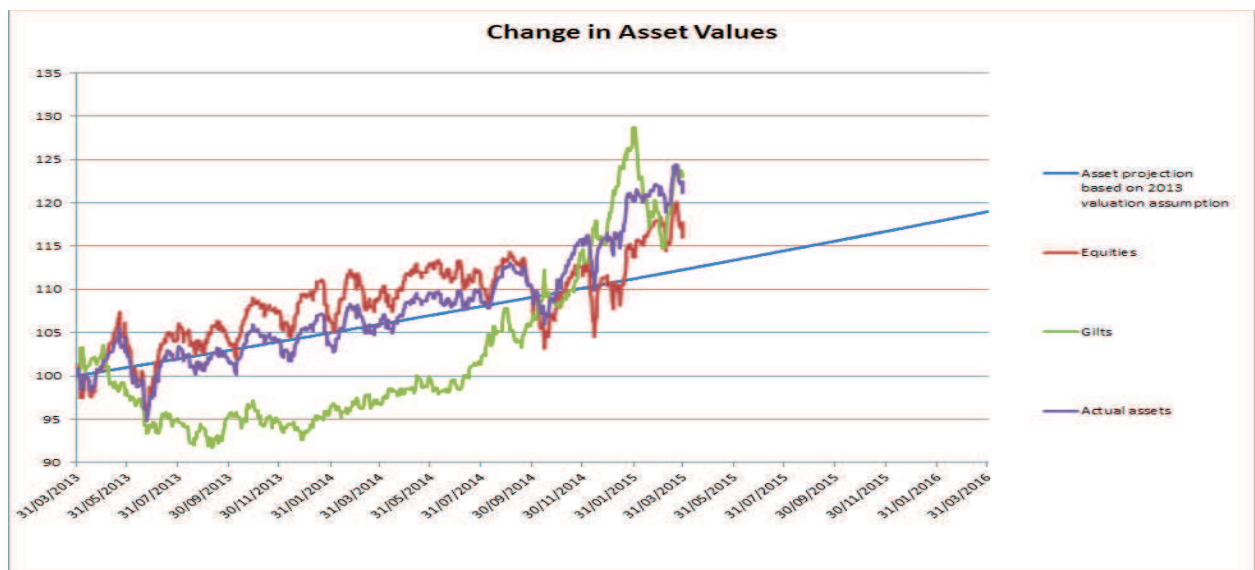
2.1. The estimated (unsmoothed) asset allocation of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2015 is as follows:

Assets (market value)	31 Mar 2015		31 Dec 2014		31 Mar 2013	
	£000s	%	£000s	%	£000s	%
Absolute return	66,863	7.7%	67,288	8.1%	191,468	26.4%
Commodities	2,540	0.3%	2,772	0.3%	4,615	0.6%
Hedge funds	132,185	15.2%	125,924	15.1%	101,396	14.0%
UK and overseas equities	498,315	57.4%	468,261	56.2%	390,299	53.9%
Gilts	31,923	3.7%	32,481	3.9%	23,755	3.3%
Cash and accruals	99,150	11.4%	136,468	16.4%	12,553	1.7%
Multi Asset Credit Funds	37,500	4.3%	0	0.0%	0	0.0%
Total assets	868,476	100%	833,193	100%	724,086	100%

2.2. The increase in the cash allocation is due to the recent sale of some absolute return assets. For the purposes of this interim review we have assumed that the cash proceeds will be reinvested in similar growth assets.

2.3. The investment return achieved by the Fund's assets in market value terms for the quarter to 31 March 2015 is estimated to be 4.4%. The return achieved since the previous valuation is estimated to be 21.1% (which is equivalent to 10.1% p.a.).

2.4. The following chart shows the changes in equity and bond markets since the previous actuarial valuation and compares them with the estimated actual fund returns and the expected fund returns assumed at the previous valuation:



2.5. As we can see the asset value as at 31 March 2015 in market value terms is more than where it was projected to be at the previous valuation.

3. Changes in market conditions – market yields and discount rates

3.1. The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable. The following table show how these assumptions have changed since the last triennial valuation:

Assumptions (smoothed)	31 Mar 2015		31 Dec 2014		31 Mar 2013	
	Nominal % p.a.	Real	Nominal % p.a.	Real	Nominal % p.a.	Real
Pension increases	2.47%	-	2.53%	-	2.74%	-
Salary increases	4.27%	1.80%	4.33%	1.80%	4.54%	1.80%
Discount rate	5.37%	2.90%	5.65%	3.11%	5.96%	3.22%

3.2. The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate – the higher the real discount rate the lower the value of liabilities. As we see the real discount rate is lower than at the 2013 valuation, increasing the value of liabilities used for funding purposes.

4. Summary of Results

- 4.1. The results of our assessment indicate that:
- the current projection of the smoothed funding level as at 31 March 2015 is 87.3% and the average required employer contribution would be 22.3% of payroll assuming the deficit is to be paid by 2035;
 - this compares with the reported (smoothed) funding level of 82.9% and average required employer contribution of 21.9% of payroll at the 2013 funding valuation.
- 4.2. The discount rate underlying the smoothed funding level as at 31 March 2015 is 5.4% p.a. The investment return required to restore the funding level to 100% by 2035, without the employers paying deficit contributions, would be 6.1% p.a.
- 4.3. The funding position for each month since the formal valuation is shown in Appendix 1. It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.
- 4.4. We would be pleased to answer any questions arising from this report.



Graeme D Muir FFA
Partner

Appendix 1 Financial position since previous valuation

Below we show the financial position on a smoothed basis for each month since the previous full valuation. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures for the previous three months are projected numbers and likely to change up until three months after the reporting date.

Valuation date	Assets £000s	Liabilities £000s	Surplus/Deficit £000s	Funding level %	Ongoing cost (% of payroll)	Past service ctbn	Total ctbn (% of payroll)	Discount rate	Return required to restore funding
31 Mar 2013	715,915	863,421	(147,506)	83%	13.6%	8.3%	21.9%	6.0%	6.8%
30 Apr 2013	723,791	867,688	(143,897)	83%	13.6%	8.1%	21.7%	6.0%	6.8%
31 May 2013	728,946	868,509	(139,564)	84%	13.6%	7.8%	21.4%	6.0%	6.8%
30 Jun 2013	731,739	867,699	(135,960)	84%	13.5%	7.7%	21.1%	6.0%	6.8%
31 Jul 2013	735,705	868,567	(132,861)	85%	13.4%	7.5%	20.9%	6.1%	6.8%
31 Aug 2013	737,087	868,857	(131,770)	85%	13.3%	7.5%	20.8%	6.1%	6.9%
30 Sep 2013	741,569	872,754	(131,185)	85%	13.3%	7.4%	20.8%	6.1%	6.9%
31 Oct 2013	746,859	877,215	(130,356)	85%	13.4%	7.4%	20.8%	6.1%	6.8%
30 Nov 2013	750,901	877,319	(126,419)	86%	13.3%	7.2%	20.5%	6.1%	6.8%
31 Dec 2013	755,725	881,184	(125,459)	86%	13.3%	7.1%	20.4%	6.1%	6.8%
31 Jan 2014	760,194	884,185	(123,991)	86%	13.3%	7.1%	20.4%	6.1%	6.8%
28 Feb 2014	763,200	887,025	(123,825)	86%	13.3%	7.1%	20.4%	6.1%	6.8%
31 Mar 2014	767,141	891,546	(124,405)	86%	13.4%	7.1%	20.5%	6.1%	6.8%
30 Apr 2014	774,710	898,649	(123,939)	86%	13.4%	7.3%	20.7%	6.0%	6.8%
31 May 2014	777,240	903,109	(125,869)	86%	13.5%	7.4%	20.9%	6.0%	6.8%
30 Jun 2014	779,486	910,536	(131,049)	86%	13.6%	7.7%	21.4%	6.0%	6.7%
31 Jul 2014	786,787	919,151	(132,364)	86%	13.7%	8.0%	21.6%	5.9%	6.7%
31 Aug 2014	790,518	923,582	(133,064)	86%	13.7%	8.0%	21.7%	5.9%	6.7%
30 Sep 2014	793,688	927,324	(133,636)	86%	13.7%	8.1%	21.8%	5.9%	6.6%
31 Oct 2014	809,074	936,788	(127,714)	86%	13.9%	7.7%	21.6%	5.8%	6.5%
30 Nov 2014	820,047	942,490	(122,443)	87%	14.0%	7.4%	21.4%	5.7%	6.4%
31 Dec 2014	826,997	949,981	(122,983)	87%	14.0%	7.2%	21.2%	5.7%	6.4%
31 Jan 2015	855,764	980,516	(124,752)	87%	14.8%	7.1%	22.0%	5.5%	6.1%
28 Feb 2015	862,125	990,961	(128,836)	87%	15.0%	7.4%	22.4%	5.4%	6.1%
31 Mar 2015	868,997	995,371	(126,374)	87%	15.1%	7.2%	22.3%	5.4%	6.1%

Appendix 4: CASHFLOW MONITORING: January 2015 to March 2015

Cashflow actuals and forecast for period January 2015 to December 2015

	Jan15 £000	Feb15 £000	Mar15 £000	Apr15 £000	May15 £000	Jun15 £000	Jul15 £000	Aug15 £000	Sep15 £000	Oct15 £000	Nov15 £000	Dec15 £000
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast
Balance b/f	3,508	2,203	2,378	4,486	9,951	8,236	7,201	6,166	4,451	3,416	2,381	-334
Contributions	1,829	1,845	1,921	8,300	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Pensions	-2,360	-2,327	-2,393	-2,350	-2,350	-2,350	-2,350	-2,350	-2,350	-2,350	-2,350	-2,350
Lump Sums	-634	-109	-34	-390	-390	-390	-390	-390	-390	-390	-390	-390
Net TVs in/(out)	-103	0	0	-75	-75	-75	-75	-75	-75	-75	-75	-75
Expenses	-37	-31	-826	-20	-700	-20	-20	-700	-20	-20	-1,700	-20
Net cash in/(out) in month	-1,305	-623	-1,332	5,465	-1,715	-1,035	-1,035	-1,715	-1,035	-1,035	-2,715	-1,035
Withdrawals from Fund Managers	0	797	3,440	0	0	0	0	0	0	0	0	0
Balance c/f	2,203	2,378	4,486	9,951	8,236	7,201	6,166	4,451	3,416	2,381	-334	-1,369

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Cashflow actuals compared to forecast in January 2015 to March 2015 quarter

	January 2015		February 2015		March 2015		Jan to Mar 2015
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000	Actual £000	Variance £000
Contributions	1,800	1,829	1,800	1,845	1,800	1,921	195
Pensions	-2,300	-2,360	-2,300	-2,327	-2,300	-2,393	-181
Lump Sums	-390	-634	-390	-109	-390	-34	393
Net TVs in/(out)	-75	-103	-75	0	-75	0	122
Expenses	-20	-37	-700	-31	-520	-826	345
Withdrawals from Fund Managers	0	0	0	797	3,440	3,440	797
Totals	-985	-1,305	-1,665	175	1,955	2,108	1,672

Notes on variances in quarter:




- Monies withdrawn from fund managers are from private equity distributions.
- Lump sums were less than expected as the timing is unpredictable.
- Expenses were less than expected due a delay in recharging costs from the Council.




Appendix 5: Pension Fund risk register, June 2015



Changes to the risk register since previous quarter




Type	Ref	New Risk	Rationale
New	13	OPERATIONAL: GOVERNANCE Failure to appoint Pension Board members to enable the first meeting to take place before the statutory deadline of 31 st July 2015.	The statutory deadline for the first meeting is approaching and most of the Board members have not yet been appointed.
New	16	OPERATIONAL: FUNDING Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	Changes to legislation allow those over 55 to withdraw all their pension funds in Defined Contribution (DC) as a cash lump sum. There is a risk that LGPS members transfer their service to a DC to access the cash, which could cause a cashflow issue.
New	19	OPERATIONAL: ADMINISTRATION Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	Failure of the pensions payroll has already been included as a risk, but lump sum payments to scheme members and payments to suppliers are processed through the financial system, not the pensions payroll, so this is included for completeness.
Score reduced	10	OPERATIONAL: GOVERNANCE Sub-committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	Likelihood score reduced to 3 as knowledge and skills policy being implemented.
Score increased	11	OPERATIONAL: GOVERNANCE Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	Likelihood and impact scores increased to 4 and 3 respectively to reflect succession planning issues in particular re Tri-Borough Director of Treasury and Pensions leaving.




Pension Fund risk register, June 2015



Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
1	STRATEGIC: INVESTMENT That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	<ul style="list-style-type: none"> Investment strategy in place and reviewed periodically. Performance is measured against a liability based benchmark. Fund performance is reviewed quarterly. 	2	3	Low 6 	Director of Finance	June 2015
2	STRATEGIC: INVESTMENT Fund managers fail to achieve the returns agreed in their management agreements.	<ul style="list-style-type: none"> Independent monitoring of fund manager performance by custodian against targets. Investment adviser retained to keep watching brief. Fund manager performance is reviewed quarterly. 	3	3	Low 9 	Director of Finance	June 2015
3	STRATEGIC: INVESTMENT Failure of custodian or counterparty.	<ul style="list-style-type: none"> At time of appointment, ensure assets are separately registered and segregated by owner. Review of internal control reports on an annual basis. Credit rating kept under review. 	2	5	Low 10 	Director of Finance	June 2015




Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
4	STRATEGIC: FUNDING The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	<ul style="list-style-type: none"> Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises. 	4	3	Medium 12 	Director of Finance	June 2015
5	STRATEGIC: FUNDING There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	<ul style="list-style-type: none"> Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. Cashflow requirement is a factor in current investment strategy review. 	2	1	Very Low 2 	Director of Finance	June 2015
6	STRATEGIC: FUNDING Scheme members live longer than expected leading to higher than expected liabilities.	<ul style="list-style-type: none"> Review at each triennial valuation and challenge actuary as required. 	4	2	Low 8 	Director of Finance	June 2015



Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
7	STRATEGIC: FUNDING Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	<ul style="list-style-type: none"> Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. Cashflow position monitored monthly. 	2	3	Low 6 	Director of Finance	June 2015
8	STRATEGIC: REGULATION Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	<ul style="list-style-type: none"> Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood. 	3	4	Medium 12 	Director of Finance and Bi-borough Director of HR	June 2015



Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
9	OPERATIONAL: GOVERNANCE Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	<ul style="list-style-type: none"> Officers maintain knowledge of legal framework for routine decisions. Eversheds retained for consultation on non-routine matters. 	2	2	Very Low 4 	Director of Finance	June 2015
10	OPERATIONAL: GOVERNANCE Sub-committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	<ul style="list-style-type: none"> External professional advice is sought where required Knowledge and skills policy in place 	3	3	Low 9 	Director of Finance	June 2015
11	OPERATIONAL: GOVERNANCE Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	<ul style="list-style-type: none"> Person specifications are used at recruitment to appoint officers with relevant skills and experience. Training plans are in place for all officers as part of the performance appraisal arrangements. Shared service nature of the pensions teams provides resilience and sharing of knowledge. 	4	3	Medium 12 	Director of Finance and Bi-borough Director of HR	June 2015


Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
12	OPERATIONAL: GOVERNANCE Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	<ul style="list-style-type: none"> At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Sub-committee and officers scrutinise and challenge advice provided. 	2	2	Very Low 4 	Director of Finance	June 2015
13	OPERATIONAL: GOVERNANCE Failure to appoint Pension Board members to enable the first meeting to take place before the statutory deadline of 31 st July 2015.	<ul style="list-style-type: none"> Guidance provided by the Scheme Advisory Board with regard to processes to follow. Board established by Council in February 2015 	4	4	High 16  NEW	Director of Finance and Bi-borough Director of HR	June 2015
14	OPERATIONAL: FUNDING Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	<ul style="list-style-type: none"> Transferee admission bodies required to have bonds in place at time of signing the admission agreement. Regular monitoring of employers and follow up of expiring bonds. 	3	2	Low 6 	Director of Finance and Bi-borough Director of HR	June 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
15	OPERATIONAL: FUNDING Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	<ul style="list-style-type: none"> Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the Council and other large employers to address potential ill health issues early. 	3	2	Low 6 	Director of Finance and Bi-borough Director of HR	June 2015
16	OPERATIONAL: FUNDING Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	<ul style="list-style-type: none"> Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 	2	3	Low 6  NEW	Director of Finance and Bi-borough Director of HR	June 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
17	OPERATIONAL: ADMINISTRATION Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	<ul style="list-style-type: none"> • Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. • Review of third party internal control reports. • Regular reconciliations of pension payments undertaken by Pensions Finance Team. • Periodic internal audits of Pensions Finance and HR teams. 	3	2	Low 6 	Director of Finance and Bi-borough Director of HR	June 2015
18	OPERATIONAL: ADMINISTRATION Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	<ul style="list-style-type: none"> • Contract monitoring in place with all providers. • Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 	3	1	Very Low 3 	Director of Finance and Bi-borough Director of HR	June 2015
19	OPERATIONAL: ADMINISTRATION Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	<ul style="list-style-type: none"> • Contract in place with BT to provide service enabling smooth processing of payments 	4	3	Medium 12  NEW	Director of Finance	June 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
19	OPERATIONAL: ADMINISTRATION Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	<ul style="list-style-type: none"> Pensioner payroll system is subject to daily software backups and off-site duplication of records. Disaster recovery procedures allow for pensioner payrolls to be run from a number of alternative UK sites other than Surbiton. 	1	5	Very Low 5 	Bi-borough Director of HR	June 2015
20	OPERATIONAL: ADMINISTRATION Failure to pay pension benefits accurately leading to under or over payments.	<ul style="list-style-type: none"> Hartlink system allows for the majority of pensioner benefits to be automatically calculated by the administration system. The majority of pensioner benefits are double-checked by the Pensions Client Team for accuracy. Spot checks are also undertaken by the Client Team. 	2	3	Low 6 	Bi-borough Director of HR	June 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
21	<p>OPERATIONAL: ADMINISTRATION Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.</p>	<ul style="list-style-type: none"> Pensioner administration system Hartlink is subject to daily software backups and off-site duplication of records. Disaster recovery procedures allow for Hartlink to be run from a number of alternative UK sites other than Surbiton. Payments can be made from other UK sites other than Surbiton. 	1	5	<p>Very Low</p> <p>5</p> 	Bi-borough Director of HR	June 2015
22	<p>OPERATIONAL: ADMINISTRATION Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.</p> <p>Continued overleaf</p>	<ul style="list-style-type: none"> Some of the work has been moved to officers based outside Surbiton to ensure it is managed effectively and on time. Complex casework is now being handled largely by Capita's Technical Team who are more experienced and have the skills to resolve it. Monthly meetings are taking place with Capita to review progress and ensure work is being handled effectively, supported by performance indicators across major work areas. 	2	3	<p>Low</p> <p>6</p> 	Bi-borough Director of HR	June 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
22 ctd		<ul style="list-style-type: none"> Capita have daily conference calls to go through casework and highlight any problems for resolution. 					
23	<p>OPERATIONAL: ADMINISTRATION The switch from Capita to Surrey County Council results in a disruption to the service or a loss of data leading to poor performance and complaints.</p>	<ul style="list-style-type: none"> Extensive test data migrations are in place covering both pension administration and payroll administration. Data being provided by Capita is being cleansed and run through Heywood data conversion checks for compliance. Project plans are robust and include two payroll parallel runs. An Exit Management Plan is being agreed with Capita to ensure nothing is missed from the transfer. Pay elements are being rationalised to ensure consistency with standard practice Experienced staff from Surrey County Council will be used to run the service and train new employees. 	1	5	<p>Very Low</p> <p>5</p> 	Bi-borough Director of HR	June 2015

Appendix 6: Pension Fund Voting Summary: January to March 2015


The investment managers managing the Fund's assets on a segregated basis are able to report on how they have voted the Fund's specific holdings at AGMs and EGMs of companies the Fund is invested in. The majority of the Fund's equities are managed on a segregated basis by Majedie, MFS and Ruffer. Majedie and Ruffer also hold small portions of the Fund's monies in pooled funds, where votes are cast on behalf of the pooled fund as a whole.

The investment managers all use the services of Institutional Shareholder Services (ISS) who are a leading provider of corporate governance research and provide advice to its clients about voting in line with corporate governance principles.

The table below provides information about the votes cast in respect of the segregated assets during the quarter January to March 2015. This includes the number of occasions the managers voted against management recommendations and ISS recommendations.

	Majedie	MFS	Ruffer
No. of meetings	38	12	8
No. of resolutions	276	58	49
Votes not in line with management	8	6	1
Votes not in line with ISS	16	0	1

Agenda Item 6

 London Borough of Hammersmith & Fulham	
PENSIONS SUB-COMMITTEE	
24th June 2015	
PENSION FUND GOVERNANCE COMPLIANCE STATEMENT AND PENSIONS BOARD UPDATE	
Report of the Director for Finance	
Open Report	
Classification: For Decision	
Key Decision: No	
Wards Affected: All	
Accountable Executive Director: Hitesh Jolapara, Director for Finance	
Report Author: Nicola Webb, Pension Fund Officer	Contact Details: Tel: 020 7641 4331 E-mail: nwebb@westminster.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. The Pension Fund is required to maintain a Governance Compliance statement recording the governance arrangements for the Fund and the level of compliance with statutory guidance. With the establishment of the Pensions Sub-committee and Pensions Board, the statement needs to be updated.
- 1.2. The Pensions Board has been established and the policies governing its activities are in the process of being drafted and approved. Scheme members and employers have been contacted to seek members of Board to serve alongside the two councillor members already appointed.

2. RECOMMENDATIONS

- 2.1. That the sub-committee approve the Governance Compliance statement set out in Appendix 1, subject to consultation with the employers of the Pension Fund, and agreement of the final version being delegated to the Director for Finance in consultation with the Chair of the Sub-committee.

3. REASONS FOR DECISION

- 3.1. It is a regulatory requirement that the Pension Fund keeps the Governance Compliance statement up to date and given the recent changes to the Fund's governance arrangements, it is necessary to revise the statement.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Local Government Pension Scheme regulations 2013 require all administering authorities to prepare and maintain a Governance Compliance statement. This statement should explain the governance arrangements for the Fund and the level of compliance with statutory guidance issued by the Secretary of State for Communities and Local Government. The regulations also state that it is a requirement to consult "such persons as it (the Pension Fund) considers appropriate" before finalising a revised statement.
- 4.2. The statement was last approved by members in 2011. Two main changes have occurred in the last twelve months, which mean it is now timely to review the statement:
 - Establishment of a Pensions Sub-committee in December 2014
 - Establishment of a Pensions Board in February 2015.
- 4.3. The draft terms of reference for the Pensions Board were presented to the Pensions Sub-committee in January 2015. Full Council approved the establishment of a Pensions Board and the terms of reference at the February 2015 meeting.

5. PROPOSAL AND ISSUES

- 5.1. A revised draft Governance Compliance statement is attached at Appendix 1. This incorporates the establishment of the Pensions Sub-committee and the Pensions Board. The annex to the statement shows the level of compliance with the statutory guidance. This guidance has not yet been updated for the introduction of Pension Boards. The only areas where the Fund is not compliant relate to representation from scheme members and employers on the committee. These groups are however represented on the Pensions Board.
- 5.2. Following the establishment of the Pensions Board in February 2015 work has been on-going to prepare the policies for the Board and to appoint Board members.
- 5.3. The agreed terms of reference for the Board refer to a number of policies:
 - Code of conduct
 - Conflicts of interest
 - Selection of non-councillor members
 - Training policy.

These policies have are in the process of being drafted and approved. The training policy is proposed to be the draft Knowledge and Skills policy

statement for the Pension Fund presented to the Sub-committee for approval elsewhere on this agenda.

- 5.4. At Full Council on 20th May 2015 Councillors Hashem and Vaughan were appointed to be the members of the Board representing the Council. Scheme members and admitted and scheduled bodies have been contacted to seek representatives of these groups to be members of the Board to serve alongside the councillor members. There will be three scheme member representatives and one representative of the admitted and scheduled bodies.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Not applicable.

7. CONSULTATION

- 7.1 Consultation with the employers of the Pension Fund will take place following the Sub-committee's consideration of the Governance Compliance statement, before it is published.

8. EQUALITY IMPLICATIONS

- 8.1. Not applicable.

9. LEGAL IMPLICATIONS

- 9.1. Not applicable.

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1 Not applicable.

11. RISK MANAGEMENT

- 11.1. Not applicable.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location

LIST OF APPENDICES:

Appendix 1: Draft Governance Compliance Statement

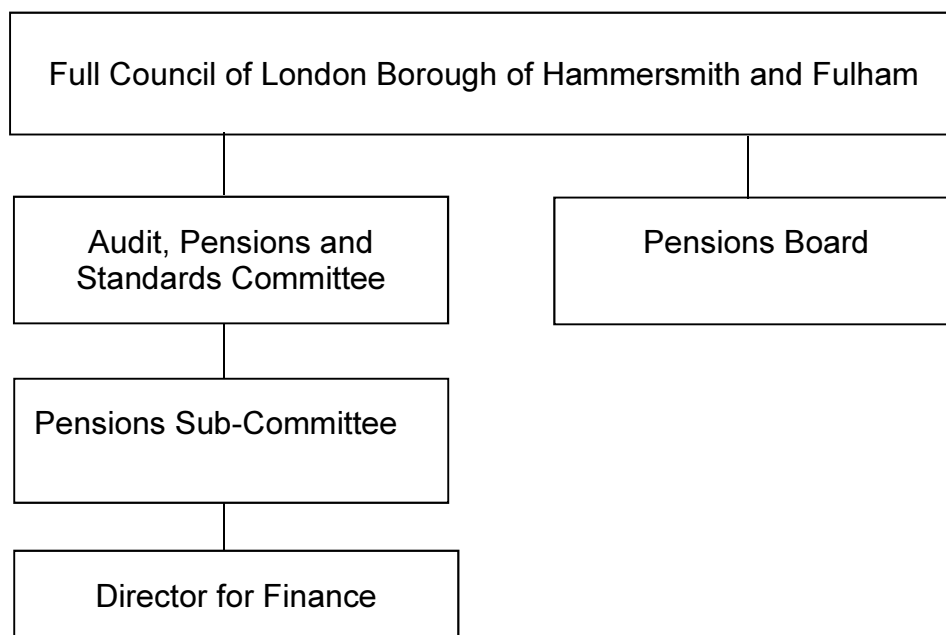
LONDON BOROUGH OF HAMMERSMITH AND FULHAM PENSION FUND
DRAFT GOVERNANCE COMPLIANCE STATEMENT

The London Borough of Hammersmith and Fulham is the administering authority for the London Borough of Hammersmith and Fulham Pension Fund (“the Fund”) and it administers the Local Government Pension Scheme on behalf of the participating employers.

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

Governance Structure

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



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

Audit, Pensions and Standards Committee

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Audit, Pensions and Standards Committee. In order to manage the workload of the committee, the committee has delegated decisions in relation to all pensions matters to the Pensions Sub-committee.

Pensions Sub-committee

The role of the Pensions Sub-committee is to have responsibility for all aspects of the investment and other management activity of the Fund.

The sub-committee is made up of five elected members of the Audit, Pensions and Standards Committee – three administration councillors and two opposition councillors. The sub-committee is chaired by the Chair of the Audit, Pensions and Standards Committee. The Sub Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

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

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

The terms of reference for the sub-committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
2. To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Actuary, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final statement of accounts of the Pension Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.

10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the Auditor's report on the governance of the Pension Fund.
12. To determine any other investment or pension fund policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies.

Pensions Board

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pensions Board to assist them. The London Borough of Hammersmith and Fulham Pensions Board was established by full Council on 25th February 2015.

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

The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council;
- Three scheme members representatives from the Council or an admitted or scheduled body.

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

Compliance with statutory guidance

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in Annex 1.

Review of statement

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

Annex 1 - Compliance with statutory guidance on Local Government Pension Scheme Governance.

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.

COMPLIANT – as set out in terms of reference of the Pensions Sub-committee

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.

NOT FULLY COMPLIANT – representatives of the employers and scheme members are Pension Board members, rather than members of the Pensions Sub-committee.

c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

NOT APPLICABLE – all Pension Fund matters are considered by the Pensions Sub-committee.

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 – all Pension Fund matters are considered by the Pensions Sub-committee.

Committee Membership and 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);*
- ii) scheme members (including deferred and pensioner scheme members),*
- iii) where appropriate, independent professional observers, and*
- iv) expert advisors (on an ad-hoc basis).*

NOT FULLY COMPLIANT – representatives of the employers and scheme members are Pension Board members, rather than members of the Pensions Sub-committee. Expert advisers attend the Sub-committee as required.

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

NOT APPLICABLE – all Pension Fund matters are considered by the Pensions Sub-committee.

Selection and role

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.*

COMPLIANT – as set out in terms of reference of the Pensions Sub-committee

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*

COMPLIANT – this is a standing item on the Pensions Sub-committee agendas

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.*

COMPLIANT – as set out in terms of reference of the Pensions Sub-committee

Training, Facility Time and 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.*

COMPLIANT – as set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy

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.*

COMPLIANT – as set out in the Council's constitution

Meetings

a) *That an administering authority's main committee or committees meet at least quarterly.*

COMPLIANT – as set out in terms of reference of the Pensions Sub-committee

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.*

NOT APPLICABLE– all Pension Fund matters are considered by the Pensions Sub-committee.

c) *That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.*

COMPLIANT – represented on the Pensions Board

Access

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.

COMPLIANT – as set out in the Council's constitution

Scope


a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

COMPLIANT – as set out in terms of reference of the Pensions Sub-committee

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.

COMPLIANT – all meeting minutes, reports and Pension Fund policies are published on the Council's website.

		London Borough of Hammersmith & Fulham	
		PENSIONS SUB-COMMITTEE	
		24th June 2015	
PENSION FUND KNOWLEDGE AND SKILLS POLICY STATEMENT			
Report of the Director for Finance			
Open Report			
Classification: For Decision			
Key Decision: No			
Wards Affected: All			
Accountable Executive Director: Hitesh Jolapara, Director for Finance			
Report Author: Nicola Webb, Pension Fund Officer		Contact Details: Tel: 020 7641 4331 E-mail: nwebb@westminster.gov.uk	

1. EXECUTIVE SUMMARY

- 1.1. In order to be effective it is important that all those involved with the running of the Pension Fund have a good understanding of pensions matters. Therefore it is good practice for all funds to have a knowledge and skills policy statement in place. This report recommends that the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills is adopted and proposes a Knowledge and Skills Policy Statement.

2. RECOMMENDATIONS

- 2.1. That the sub-committee adopt the statements set out in 5.1 from the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
- 2.2. That the sub-committee approve the draft Knowledge and Skills policy statement attached at Appendix 1.

3. REASONS FOR DECISION

- 3.1. The adoption of a Knowledge and Skills policy statement demonstrates good governance and ensures the Fund is compliant with best practice.

4. INTRODUCTION AND BACKGROUND

- 4.1. At the Pensions sub-committee's meeting in January 2015, the need for a Knowledge and Skills policy applicable to both the sub-committee and the Pensions Board was discussed as part of measures to improve the governance arrangements of the Fund.
- 4.2. Pension Board members are required by law to demonstrate knowledge and skills and undertake training if required. Pensions sub-committee members do not have the same legal requirement, however CIPFA's Code of Practice on Public Sector Finance Knowledge and Skills recommends that a policy is adopted.

5. PROPOSAL AND ISSUES

- 5.1. CIPFA have published a Code of Practice on Public Sector Pensions Knowledge and Skills and recommend that local authority pension funds demonstrate their commitment to knowledge and skills in their Pension Fund by adopting the following statements:
 1. This organisation adopts the key recommendations of the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
 2. This organisation recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.
 3. Accordingly this organisation will ensure that it has adequate resources, formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
 4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements.
 5. This organisation will report annually on how these policies have been put into practice throughout the financial year.
 6. This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Director for Finance, who will act in accordance with the organisation's policy statement, and, where he is a CIPFA member, with *CIPFA Standards of Professional Practice*.
- 5.2. Appendix 1 is a draft Knowledge and Skills policy statement which has been prepared on the basis of CIPFA's knowledge and skills framework and also incorporates The Pensions Regulator's requirements for Pension Board members. It has been drafted to be appropriate for members of the pensions sub-committee, pensions board members and pension fund officers.
- 5.3. The focus of the policy statement is to recognise the wealth of knowledge and experience members already have and to use a self-assessment approach to determining what training is required. In line with the CIPFA Code of Practice it is recommended to repeat the self-assessment annually and report on the

implementation of the policy annually starting with the 2015-16 Pension Fund annual report.

- 5.4. Members are asked to complete the self-assessment form included as Annex 1 to the policy statement and return it to the Shared Service Pensions Team. The assessments will be collated along with those of the Pensions Board members and a proposal for a training programme will be reported to the next meeting of the sub-committee in September 2015.
- 5.5. There is a separate more detailed CIPFA knowledge and skills framework for officers involved in the running of the Pension Fund and it is proposed that this is applied when officer objectives and development plans are set each year.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Not applicable.

7. CONSULTATION

- 7.1 Not applicable.

8. EQUALITY IMPLICATIONS

- 8.1. Not applicable.

9. LEGAL IMPLICATIONS

- 9.1. Not applicable.

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1 Not applicable.

11. RISK MANAGEMENT

- 11.1. Not applicable.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location

LIST OF APPENDICES:

Appendix 1: Draft Knowledge and Skills policy statement

LONDON BOROUGH OF HAMMERSMITH AND FULHAM PENSION FUND
DRAFT KNOWLEDGE AND SKILLS POLICY STATEMENT

1. Introduction

1a) Scope

This policy applies to all elected members, appointed Pensions Board members and officers involved in the running of the Hammersmith and Fulham Pension Fund (the Fund).

1b) Objective of policy

In order to be effective it is important that all those involved with the running of the Pension Fund have a good understanding of pensions matters. It is recognised that it is good practice for the Fund to have a knowledge and skills policy statement in place.

This policy statement is designed to recognise the knowledge and skills individuals have already through their professional lives or through involvement with the Pension Fund over a period of time. The objective of the policy is to evidence this and augment it with training and information as required.

1c) Legal position

There is currently no legal requirement for Pensions Sub-committee members to demonstrate their knowledge and skills in pensions, however the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills recommends it as good practice. The Fund has adopted the Code of Practice.

There is however a legal requirement, defined in the Public Service Pensions Act 2013, for Pension Board members to have knowledge and understanding of the pension scheme they are involved in. This is expanded on further in The Pensions Regulator's Code of Practice for Governance and administration of public service pension schemes.

2. Knowledge and Skills Framework

2a) CIPFA framework

The Pension Fund has adopted the CIPFA Knowledge and Skills Framework to frame the assessment of knowledge and skills and the provision of training. The framework covers six areas of knowledge:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices.

It provides detail about the knowledge required in each of these areas for officers at different levels and Pensions Sub-committee and Pensions Board members.

2b) The Pensions Regulator Code of Practice

For Pensions Board members, the knowledge and skills requirements are set out in The Pensions Regulator Code of Practice for Governance and administration of public service pension schemes. These requirements have been added to the relevant sections of the CIPFA framework where required.

3. Information to be provided to new members and officers

On appointment to the Pensions Sub-committee, the Pensions Board or to a pension fund officer role, all individuals will be directed to the following policies of the Pension Fund:

Governance and Compliance Statement
Statement of Investment Principles
Funding Strategy Statement
Communication Policy Statement

found at the following link:

<http://tinyurl.com/qe22hdk>

In addition they will be provided with the most up to date versions of the:

Annual report and accounts for the Fund
Quarterly update pack
Risk Register.

4. Knowledge and Skills self-assessment

4a) Pensions Sub-committee Members

On appointment to the Pensions Sub-committee, members will be required to complete a knowledge and skills self-assessment in order to evidence the areas they already have knowledge of and to determine the areas in which training is required.

4b) Pensions Board Members

Knowledge and skills in pensions matters is a legislative requirement for Pensions Board members as set out in the Public Service Pensions Act 2013. Therefore on appointment to the Pensions Board, all members will be required to complete a knowledge and skills self-assessment in order to evidence the areas they already have knowledge of and to determine the areas in which training is required.

4c) Officers

As part of their annual performance appraisal and development plan process, officers involved in the running of the Pension Fund should, in conjunction with their line manager, assess and evidence the knowledge and skills they have against the relevant part of the officer section of the CIPFA framework and identify targets for developing their knowledge and skills in the gaps identified. This more detailed

version of the framework reflects officers' responsibilities for the day to day running of the Fund.

4d) Self-assessment form

The self-assessment form for Pensions Sub-committee and Pensions Board members to use is attached at Annex 1. These assessments will be repeated on an annual basis to enable any gaps in knowledge to be identified and addressed. Officers should incorporate the requirements of the officer section of the framework into their performance appraisal documentation.

5. Training

5a) Provision of training

Once the training needs of each group have been identified and collated from the self-assessment forms, the most appropriate form of training will be discussed and then arranged either on an individual basis or as part of a group. Details of all group training sessions will be made available to all members and officers. The options for training include:

- Provision of reading material provided by officers or directions to on-line sources of information such as resources provided by The Pensions Regulator
- Briefings or training sessions run by officers
- Briefings or training sessions run by one of the Fund's advisers
- External courses, seminars or conferences

5b) Emerging issues

Officers will arrange training or the provision of additional information on new or topical issues as they arise. Pensions Sub-committee or Board members can contact the Shared Services Pensions team Pensionfund@lbhf.gov.uk if they have any additional specific requests for training or information.

5c) External training events

When relevant external training events are published, officers will forward invitations to Pension Sub-committee and Board members for them to decide to attend if they feel the events will be useful for developing their knowledge.

6. Evidence

6a) Records of training

The Shared Services Pensions team will maintain a record of all training undertaken by members of the Pensions Sub-committee, the Pensions Board and officers. Members should email Pensionfund@lbhf.gov.uk details of all external pension related training and events they attend to facilitate this.

6b) Annual Report

The Pension Fund annual report will report on the compliance of members and officers with the knowledge and skills policy statement based on the records maintained.

Annex 1

London Borough of Hammersmith and Fulham Pension Fund
Knowledge and Skills self-assessment

Name:

Role: Pensions sub-committee member / Pensions Board member
(delete as applicable)

1) Pensions Legislative and governance context

I have all the knowledge detailed below and do not require additional training	Y/N	Please provide details of your experience:
I would like further training on the areas highlighted below	Y/N	

Awareness of the law relating to pensions in the UK	
Overall understanding of the Local Government Pension Scheme regulations in relation to benefits, administration and investments.	
Knowledge of the discretion policies in place for the Fund and other policies regarding administration.	
Understanding of the role and powers of the Pensions Regulator, and the Scheme Advisory Board.	
Understanding of the role of the pensions sub-committee, pensions board, director of finance and monitoring officer.	

2) Pensions accounting and auditing standards

I have all the knowledge detailed below and do not require additional training	Y/N	Please provide details of your experience:
I would like further training on the areas highlighted below	Y/N	

Awareness of the Accounts and Audit regulations and legislative requirements relating to the role of the committee in considering signing off the accounts and annual report.	
Awareness of the role of both internal and external audit in the governance and assurance process.	

3) Financial services procurement and relationship management

I have all the knowledge detailed below and do not require additional training	Y/N	Please provide details of your experience:
I would like further training on the areas highlighted below	Y/N	

General understanding of the main public procurement requirements of UK and EU legislation and how they apply to procuring services for local authority Pension Funds.	
Awareness of supplier risk management and the nature and scope of risks to be considered when selecting third parties.	

4) Investment performance and risk management

I have all the knowledge detailed below and do not require additional training	Y/N	Please provide details of your experience:
I would like further training on the areas highlighted below	Y/N	

Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long term risks.	
Awareness of the Myners principles of performance management and the approach adopted by the committee.	
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	

5) Financial markets and products knowledge

I have all the knowledge detailed below and do not require additional training	Y/N	Please provide details of your experience:
I would like further training on the areas highlighted below	Y/N	

Awareness of the risk and return characteristics of the main asset classes and understanding of the role of these asset classes in long term pension fund investing.	
Understanding of the primary importance of the investment strategy decision.	
A broad understanding of the workings of the financial markets and of investment vehicles available to the pension fund and the nature of the associated risks.	
An awareness of the limits placed by regulation on the investment activities of local government pension funds.	

6) Actuarial methods, standards and practices

I have all the knowledge detailed below and do not require additional training	Y/N	Please provide details of your experience:
I would like further training on the areas highlighted below	Y/N	

Knowledge of the valuation process, including developing the funding strategy in conjunction with the Fund Actuary and inter-valuation monitoring.	
Awareness of the importance of monitoring early and ill health retirement strain costs.	
A broad understanding of the implications of including new employers into the Fund and of the cessation of existing employers.	
A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.	


Signed:..... Date:.....

Once complete, please return to:

Pensionfund@lbhf.gov.uk

Or

Treasury and Pensions Team
c/o 16th floor East, Westminster City Hall
64 Victoria Street
London, SW1E 6QP

	London Borough of Hammersmith & Fulham PENSIONS SUB-COMMITTEE 24th June 2015
AUTHORISATION AND APPROVAL OF PENSION FUND ACCOUNTS - 2014/15	
Report of the Director for Finance	
Open Report	
Classification - For Information Key Decision: - No	
Wards Affected: All	
Accountable Director: Hitesh Jolapara, Director for Finance	
Report Author: Christopher Harris, Head of Corporate Accountancy and Capital	Contact Details: Tel: 020 (8753 6440) E-mail: (christopher.harris@lbhf.gov.uk)

1. EXECUTIVE SUMMARY

- 1.1. The Pensions Sub-Committee is charged with approving the Pension Fund accounts by 30 September each year. Under the Sub-Committee's Terms of Reference, this responsibility can be delegated to the Audit, Pensions and Standards Committee.
- 1.2. Under the Local Authority Accounting Code of Practice, the Pension Fund Accounts are integrated with the Council's overall Statement of Accounts. The overall accounts are due to be approved by the Audit, Pensions and Standards Committee on 15 September 2015. It is proposed that the approval of the Pension Fund Accounts be delegated to the Audit, Pensions and Standards Committee as part of this overall approval process.
- 1.3. On the basis that this proposal is agreed, the 2014-15 Pension Fund Accounts will still be submitted to the Pensions Sub-Committee meeting on 9 September 2015, however this will simply be for information.

2. RECOMMENDATIONS

- 2.1. That authorisation and approval of the 2014-15 Pension Fund Accounts be delegated to the Audit, Pensions and Standards Committee for approval on 15 September 2015.

3. REASONS FOR DECISION

- 3.1. Not applicable.

4. INTRODUCTION AND BACKGROUND

- 4.1 Not applicable.

5. EQUALITY IMPLICATIONS

- 5.1. Not applicable.

6. LEGAL IMPLICATIONS

- 6.1. Not applicable.

7. FINANCIAL AND RESOURCES IMPLICATIONS

- 7.1. Not applicable.

8. RISK MANAGEMENT

- 8.1. Not applicable

9. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 9.1. Not applicable.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	N/a		

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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