London Borough of Hammersmith & Fulham

Pensions Sub-Committee

Agenda

Wednesday 9 September 2015
7.00 pm
Committee Room 3 - Hammersmith Town Hall

MEMBERSHIP

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

CONTACT OFFICER: Ibrahim Ibrahim
Assistant Committee Co-ordinator
Governance and Scrutiny
☎: 020 8753 2075
E-mail: ibrahim.ibrahim@lbhf.gov.uk

Reports on the open agenda are available on the Council's website:
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: 01 September 2015

London Borough of Hammersmith & Fulham

Pensions Sub-Committee
Agenda

9 September 2015

7. LONDON CIV UPDATE 124 - 127

This report presents an update on London Collective Investment Vehicle (CIV).

8. DATE OF THE NEXT MEETING

The next meeting of the Pensions Sub-Committee will take place on 25 November 2015.

9. 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.

10. EXEMPT MINUTES OF THE PREVIOUS MEETING 128 - 131

To approve as an accurate record and the Chair to sign the minutes of the exempt discussion at the meeting held on 24 June 2015.

11. APPOINTMENT OF PENSION FUND ACTUARY 132 - 135

To receive a report on the appointment of a Pension Fund Actuary.

12. INFRASTRUCTURE INVESTMENT UPDATE 136 - 141

The report presents an update on the Pension Fund Infrastructure Investment.

13. PENSION FUND ABSOLUTE RETURN BONDS INVESTMENT 142 - 182

This report reviews the Pension Fund Absolute Return Bonds Investment.

14. INVESTMENT STRATEGY NEXT STEPS 183 - 207

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.

London Borough of Hammersmith & Fulham

Pensions Sub-Committee

Minutes

Wednesday 24 June 2015

PRESENT

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

Officers: David Hodgkinson (Assistant City Treasurer), Ibrahim Ibrahim (Assistant Committee Coordinator), Neil Sellstrom (Interim Head for Pensions Shared Service) and Nicola Webb (Pension Fund Officer).

External: Kevin Humpherson (Deloitte) and Alistair Sutherland (Deloitte).

1. MINUTES OF THE PREVIOUS MEETING

RESOLVED –

THAT, the minutes of the meeting held on 17 March 2015 were agreed as a correct record and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor Michael Adam.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. APPOINTMENT OF VICE CHAIR

RESOLVED –

THAT, Councillor Michael Adam be appointed Vice Chair of the Pensions Sub-Committee for the 2015/16 municipal year.

5. PENSION FUND QUARTERLY UPDATE PACK

The committee received an update on the Pension Fund for the quarter ending 31 March 2015. Nicola Webb (Pension Fund Officer) drew Members attention to page 38; appendix 4 of the report, which showed a negative cash flow position towards the end of the 2015. It was noted that a strategy would be proposed to resolve the deficit.

ACTION: Nicola Webb, Pension Fund Officer

Nicola Webb drew Members attention to page 39; appendix 5 of the report, which revealed that 3 new risks had been added to the risk register. It was reported that the statutory deadline for the first meeting of the Pensions Board would be on 31 July 2015 and that HR were working towards identifying Board members.

In light of the issues with BT Managed Services, Members were concerned with respect to the data transfer and pensions payroll following the Council's transfer of Pension Administration Services from Capita to Surrey County Council on 1 April 2015. Nicola Webb noted that page 49; appendix of the report 5 described the risk as 'very low' although the HR department was leading this. Nicola Webb agreed to pass Members comments on to Debbie Morris (Bi-Borough Director for HR).

ACTION: Nicola Webb, Pension Fund Officer

Members queried page 36; appendix 3 of the report, as the paper suggested a higher contribution rate would be required. In response, Nicola Webb said that Barnett Waddingham would conduct a further detailed analysis by 31 March 2016 although confirmation would be sought from the Pension Fund Actuary, Graeme Muir (Barnett Waddingham).

ACTION: Nicola Webb, Pension Fund Officer

Alistair Sutherland (Deloitte) drew Members' attention to page 12 – 30; appendix 2 of the report, which set out the Investment Performance Report. It was reported that the Fund was performing ahead of benchmark, which was largely attributed to Majedie and Ruffer. In addition, it was reported that MFS and Goldman Sachs were continuing to deliver poor returns. Goldman Sachs' performance was described as disappointing, which was largely attributed to poor duration calls over the last 18 months. In addition, it was reported that correct decisions had not been backed with great conviction.

RESOLVED –

THAT, the report be noted.

6. GOVERNANCE COMPLIANCE STATEMENT

Nicola Webb introduced the draft governance compliance statement as set out on pages 54 – 59; appendix 1 of the report. The statement was last approved by Members in 2011 and following the establishment of the Pensions Sub-Committee in December 2014 and the Pensions Board in February 2015, it was considered appropriate to review the statement.

Members were concerned that a Pensions AGM had yet to be arranged as this had been discussed on many occasions in the past. Nicola Webb reported that was being led by the HR department.

RESOLVED –

THAT, the Sub-Committee approved the Governance Compliance Statement, subject to consultation with employers of the Pension Fund, and that the agreement of the final version be delegated to the Director for Finance in Consultation with the Chair of the Sub-Committee.

7. KNOWLEDGE AND SKILLS POLICY

Nicola Webb introduced the report. Pension Board members were required by Law to demonstrate knowledge and skills and undertake training, although Pensions Sub-Committee Members do not have the same legal requirement. It was noted that CIPFA's (Chartered Institute of Public Finance and Accountancy) code of practice recommends that Pensions Sub-Committee Members adopt the policy.

Nicola Webb drew Members attention to pages 66 – 69; appendix 1 of the report, which provided Members the opportunity to complete a knowledge and skills self-assessment although it was unclear the degree of knowledge and skills required. In addition, it was noted that when required in the past, ad-hoc training sessions had been arranged for Members. In response to this, Nicola Webb agreed put forward detailed proposals for Members.

ACTION: Nicola Webb, Pension Fund Officer

In addition, Members suggested that it would be helpful to arrange a joint meeting of Members from the Pensions Sub-Committee and Pension Board, once the Pension Board Members had been identified.

ACTION: Nicola Webb, Pension Fund Officer

RESOLVED –

(a) THAT, the Sub-Committee adopted the statements set out in 5.1 from the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

(b) THAT, the Sub-Committee approved the draft Knowledge and Skills policy statement.

8. AUTHORISATION AND APPROVAL OF PENSION FUND ACCOUNTS - 2014/15

Nicola Webb introduced the report. It was noted that the Pension Fund Accounts were integrated with the Council's overall Statement of Accounts, which must be approved by 30 September each year. It was proposed that the responsibility be delegated to the Audit, Pensions and Standards

Committee for approval on 15 September 2015, although an information item would be presented at the next meeting of the Pensions Sub-Committee on 9 September 2015.

RESOLVED –

THAT, the Sub-Committee Members approved the delegation of the 2014 – 2015 Pension Fund Accounts to the Audit, Pensions and Standards Committee.

9. DATE OF THE NEXT MEETING

9 September 2015, 7pm.

10. 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.

11. EXEMPT MINUTES OF THE PREVIOUS MEETING

THAT, the exempt minutes of the meeting held on 17 March 2015 were agreed as a correct record and signed by the Chair.

12. PENSION FUND MANAGEMENT EXPENSES

RESOLVED –

THAT, the report be noted.

13. ASSET TRANSITION SUMMARY

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.

14. INVESTMENT STRATEGY NEXT STEPS

RESOLVED –

THAT, the report be noted.

Meeting started: 7:00pm
Meeting ended: 9:50pm

Chair ....

Contact officer: Ibrahim Ibrahim
Assistant Committee Co-ordinator
Governance and Scrutiny
☎: 020 8753 2075
E-mail: ibrahim.ibrahim@lbhf.gov.uk

Pensions Sub-Committee – 2015/16 Action Tracker

Meeting	Item and Minute number	Action	Lead Officer	Completion Status
Outstanding Actions from 2014/15 Action Tracker				
17 March 2015	Pension Fund Quarterly Update Pack (15)	Debbie Morris to prepare a detailed agenda for the Pensions Annual General Meeting.	Debbie Morris	No
2015/16 Action Tracker				
24 June 2015	Pension Fund Quarterly Update Pack (5)	Nicola Webb to propose a strategy to resolve the expected negative cash flow position in Q3.	Nicola Webb	Yes
24 June 2015	Pension Fund Quarterly Update Pack (5)	Nicola Webb to raise Members concerns with Debbie Morris regarding the Council's transition to SCC in respect of the data transfer and pensions payroll. In response, Debbie Morris agreed to provide a written update to the Sub-Committee.	Debbie Morris	Yes
24 June 2015	Pension Fund Quarterly Update Pack (5)	Nicola Webb to seek clarification from the Fund Actuary regarding suggestions that a higher contribution rate would be required.	Nicola Webb	Yes
24 June 2015	Knowledge and Skills Policy (7)	Nicola Webb to provide a detailed knowledge and skills self-assessment form for Members	Nicola Webb	Yes
24 June 2015	Knowledge and Skills Policy (7)	Nicola Webb to arrange a joint meeting of Members from the Pensions Sub-Committee and Pensions Board.	Nicola Webb	Yes
24 June 2015	Investment Strategy Next Steps (14)	David Hodgkinson to contact Manchester City Council to identify options and implications to local fund investments.	David Hodgkinson	Yes
24 June	Investment Strategy Next	Investment Adviser to prepare a report explaining each asset	Neil Sellstrom	Yes

2015	Steps (14)	classes and how they fit into the overall structure of the fund.		
24 June 2015	Investment Strategy Next Steps (14)	Investment Adviser to prepare a report providing an explanation and comparison of potential options covering traditional passive, enhanced indexation and smart beta along with the products and providers available.	Neil Sellstrom	Yes
24 June 2015	Investment Strategy Next Steps (14)	Members to meet with Fund Managers prior to the next meeting.	Neil Sellstrom	Yes
24 June 2015	Investment Strategy Next Steps (14)	Investment Adviser to prepare a report providing an explanation of diversified asset allocation and diversified growth funds.	Neil Sellstrom	Yes

Agenda Item 4

London Borough of Hammersmith & Fulham	
	PENSIONS SUB-COMMITTEE
	9th September 2015
PENSION FUND QUARTERLY UPDATE PACK	
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. This report is the Pension Fund quarterly update pack for the quarter ended 30th June 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 £5m is withdrawn from the LGIM Sterling Liquidity Fund and paid into the Pension Fund current account to cover pension payments.

3. REASONS FOR DECISION

3.1. As Appendix 4A shows, the Pension Fund current account is expected to be overdrawn by the end of November 2015 unless monies are paid in.

3.2. The Fund has a balance of £30m invested in the LGIM Sterling Liquidity Fund pending investing in infrastructure. The whole of this balance is not expected to be drawn down in the short term and so is available for this purpose.

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 pack for the quarter ended 30^{th} June 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 30^{th} June 2015 prepared by the Fund Actuary, Graeme Muir of Barnett Waddingham. At the last meeting a question was asked about why the funding level had increased, yet the indicative employer contribution rate had also increased.

5.3. The Fund Actuary has confirmed that since the last triennial valuation in 2013, the assets have grown more quickly than the liabilities and so the funding level has improved from 83% to 87%. This has also led to a reduction in the indicative deficit funding element of the employer contribution rate from 8.3% to 7.8% at 30 June 2015.

5.4. However, changes in market conditions and the changes made to the Fund's asset allocation since 2013 has reduced the discount rate from 6% to 5.5% leading to an increase in the indicative employer contribution rate required to fund future benefits from 13.6% to 15.5%.

5.5. The actual cashflow for the period April to June 2015 and the forecast up to March 2016 is shown in Appendix 4A. An analysis of the differences between the actuals and the forecast for the quarter is also shown.

5.6. The forecast shows that it is expected the Fund will be overdrawn by the end of November 2015 without additional monies. There is currently £30m held in the LGIM Sterling Liquidity Fund pending the drawdown of the infrastructure commitment. Not all of this will be required in the short term for infrastructure, so it is proposed that £5m of these monies is transferred to the Fund's current account to cover the cash position until the end of 2015. A further review of the position will then be reported to the November meeting of the sub-committee to consider the remainder of the financial year.

5.7. Officers are working to develop a longer term cashflow forecast for the Fund and will report back on this work at the November meeting. However a forecast for the financial year 2016/17 has been included in Appendix 4B. This shows that it is expected that the trend of benefit and expense payments being approximately £1m a month more than contributions is expected to continue. This trend needs to be part of future investment strategy considerations.

5.8. The risk register has been reviewed by officers and is attached as Appendix 5 for information. The rationale for the changes is set out on the first page of Appendix 5.

5.9. A summary of the voting undertaken by the investment managers running segregated equity portfolios forms Appendix 6.

5.10. Although there have been no new consultations published in the quarter, Appendix 7 provides some information about an announcement in the Budget about the LGPS and a future consultation.

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
	None.		

LIST OF APPENDICES:

Appendix 1: Scorecard at 30th June 2015

Appendix 2: Deloitte quarterly report for quarter ended 30th June 2015

Appendix 3: Barnett Waddingham quarterly report at 30th June 2015

Appendix 4: Cashflow monitoring

Appendix 5: Pension Fund Risk Register

Appendix 6: Pension Fund Voting Summary

Appendix 7: Budget announcement re future consultation

Appendix 1: Scorecard at 30th June 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	856.0	Deloitte report Appendix 2
% return quarter	2.1%	5.9%	4.6%	-1.1%	
% return 1 year	8.3%	11.3%	15.1%	11.6%	
LIABILITIES					
Value (£m)	927.3	945.9	995.4	1,021.0	Barnett Waddingham report Appendix 3
Deficit (£m)	133.6	118.9	126.4	136.2	
Funding Level	86%	87%	87%	87%	
MEMBERSHIP					
Active members	4,084	4,014	4,024	4,010	N/A
Deferred beneficiaries	5,871	5,943	5,957	5,962	
Pensioners	4,292	4,287	4,288	4,305	
Employers	30	30	33	33	
ADMINISTRATION					
Overall targets met by Capita excluding backlog	78.7%	93.4%	94.2%	95.0%	N/A
Overall targets met by Capita including backlog	49.6%	56.6%	69.4%	73.8%	
CASHFLOW					
Cash balance	£8.14m	£3.51m	£4.49m	£8.65m	Appendix 4
Variance from forecast	+ £226k	0	+£1.67m	+£1.46m	
RISK					
No. of new risks	N/A	None	3	0	Appendix 5
No. of ratings changed	N/A	None	2	3	
VOTING					
No. of resolutions voted on by fund managers	217	334	374	2,626	Appendix 6
LGPS REGULATIONS					
New consultations	None	One	None	None*	Appendix 7
New sets of regulations	None	None	None	None	

**Appendix 7 gives details of Budget announcement which will lead to a future consultation.*

Deloitte.

London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 30 June 2015 – Executive Summary

Deloitte Total Reward and Benefits Limited
August 2015

Contents

1 Market Background

Three and twelve months to 30 June 2015

Markets were volatile over the second quarter of the year with pre-election concerns over the outcome of the UK General Election and increased uncertainty over Greece's position within the Eurozone as the country struggled to negotiate a new bailout programme and meet its obligations to existing creditors. Throughout this UK equities delivered a negative return over the 3 months to 30 June 2015 (FTSE All Share Index: -1.6%).

Mid and small cap companies outperformed the largest UK firms over the second quarter with the FTSE 250 and FTSE Small Cap indices returning positive returns of 3.6% and 2.6% respectively. At the sector level, Telecommunications was the strongest performer, returning 3.9%. At the other end of the scale, the Health Care sector fell by 11.2%.

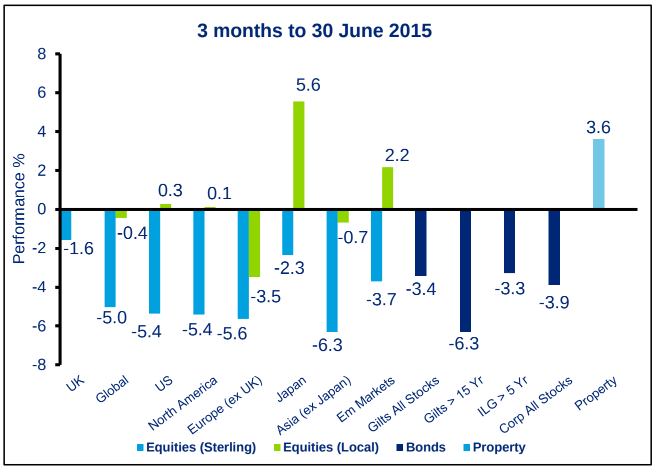
Global equity markets outperformed the UK in local currency terms (-0.4%) but underperformed in sterling terms (-5.0%), as the pound appreciated against most currencies including the dollar, euro and yen with currency hedging beneficial to sterling investors over the quarter. At the regional level, Japan offered investors the highest return of 5.6% in local currency terms and -2.3% in sterling terms. Unsurprisingly, Europe was the poorest performing region in local currency terms (-3.5%)).

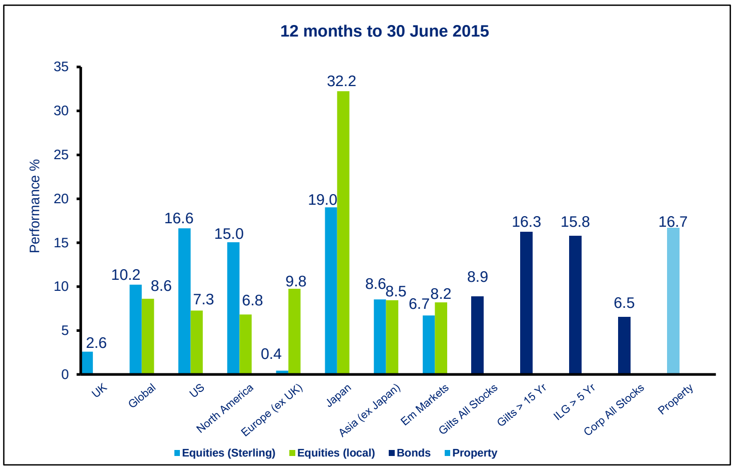
UK nominal gilts delivered negative returns over the quarter as yields increased across all maturities resulting in the All Stocks Gilt Index returning -3.4%. Real yields on UK index-linked gilts also increased over the period, with the Over 5 Year index-linked Gilt Index returning -3.3%. Corporate bonds also delivered negative returns as credit spreads widened. The iBoxx All Stocks Non Gilt Index returned -3.9% over the second quarter.

Over the 12 months to 30 June 2015, the FTSE All Share Index returned 2.6%. At the sector level, Technology delivered the highest return (21.0%) whilst the Oil & Gas sector was the poorest performing sector (-24.4%). Global markets outperformed the UK in both sterling and local currency terms over the year, with the FTSE All World Index returning 10.2% and 8.6% in sterling and local currency terms respectively. Currency hedging was therefore slightly detrimental for sterling investors over the year.

UK nominal gilts performed strongly over the last 12 months as gilt yields fell across all maturities, particularly at the longer end of the curve. The All Stocks Gilt Index returned 8.9% and the Over 15 Year Gilt Index returned 16.3%. Real yields also fell over the year, with the Over 5 Year Index-linked Gilt Index returning 15.8%. Corporate bond returns were also positive albeit more muted compared to gilts, with the iBoxx All Stocks Non Gilt Index returning 6.5% over the 12 months to 30 June 2015.

The UK property market continues to perform strongly, having returned 3.6% over the quarter and 16.7% over the 12 months to 30 June 2015.





2 Performance Overview

Breakdown of Fund Performance by Manager as at 30 June 2015

Fund	Manager	3 month	1 year	2 year	3 year	5 year
UK Equity Mandate						
	Majedie	0.5	8.0	14.0	18.8	15.6
FTSE All Share		-1.6	2.6	7.7	11.0	10.7
Difference		2.1	5.4	6.3	7.8	4.9
Overseas Equity Mandate						
	MFS	-5.2	13.0	10.9	14.3	12.5
MSCI AC World Growth (ex UK)		-5.3	15.2	12.3	14.9	12.5
Difference		0.0	-2.3	-1.4	-0.6	0.0
Dynamic Asset Allocation Mandates						
	Ruffer	1.0	12.1	6.3	8.8	6.9
3 Month Sterling LIBOR + 4% p.a		1.1	4.6	4.6	4.6	4.7
Difference		-0.1	7.6	1.8	4.2	2.2
Matching Fund						
	Goldman Sachs	1.0	-1.1	0.9	2.4	1.8
3 Month Sterling LIBOR + 2% p.a		0.6	2.6	2.6	2.6	2.7
Difference		0.4	-3.7	-1.7	-0.2	-0.9
	Legal & General	-3.4	34.4	21.0	n/a	n/a
Bespoke liability related benchmark (2 x LB - 3 month Sterling LIBOR)		-3.4	18.9	11.9	n/a	n/a
Difference		0.0	15.5	9.2	n/a	n/a
Private Equity						
	Invesco	3.2	24.9	18.9	17.7	17.5
	Unicapital	-0.6	0.7	-0.9	4.4	7.6
Secure Income						
	Partners Group MAC	-0.3	n/a	n/a	n/a	n/a
3 Month Sterling LIBOR + 4% p.a		1.1	n/a	n/a	n/a	n/a
Difference		1.4	n/a	n/a	n/a	n/a
	Oak Hill Advisors	n/a*	n/a	n/a	n/a	n/a
3 Month Sterling LIBOR + 4% p.a		n/a	n/a	n/a	n/a	n/a
Difference		n/a	n/a	n/a	n/a	n/a
Inflation Protection						
	M&G	n/a*	n/a	n/a	n/a	n/a
RPI + 2.5% p.a.		n/a	n/a	n/a	n/a	n/a
Difference		n/a	n/a	n/a	n/a	n/a
	Standard Life	4.5	n/a	n/a	n/a	n/a
FT British Government All Stocks Index +2.0%		-3.0	n/a	n/a	n/a	n/a
Difference		7.5	n/a	n/a	n/a	n/a
Total Fund		-1.1	11.6	10.5	12.2	11.0
*Benchmark**		-1.8	7.3	7.4	8.5	9.3
Difference		0.7	4.3	3.1	3.7	1.7

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. Oak Hill Advisors and M&G were funded mid-quarter therefore quarter returns are not available.

3 Total Fund

Investment Performance to 30 June 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund – Gross of fees	-1.0	12.1	11.0	12.7	11.5
Net of fees[(1)]	-1.1	11.6	10.5	12.2	11.0
Benchmark[(2)]	-1.8	7.3	7.4	8.5	9.3
Net performance relative to fixed benchmark	0.7	4.3	3.1	3.7	1.7

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

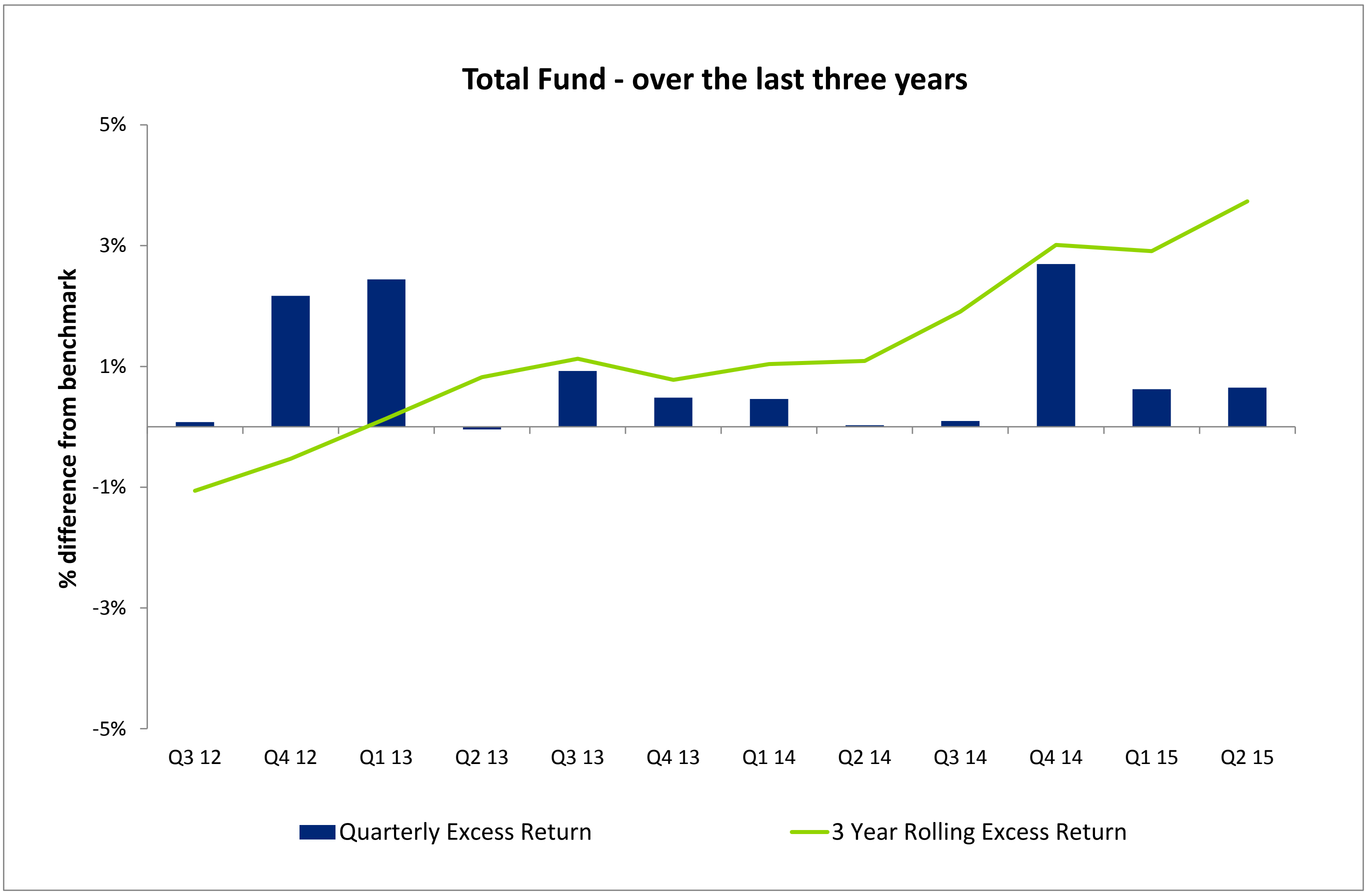
(1) Estimated by Deloitte

(2) Average weighted benchmark

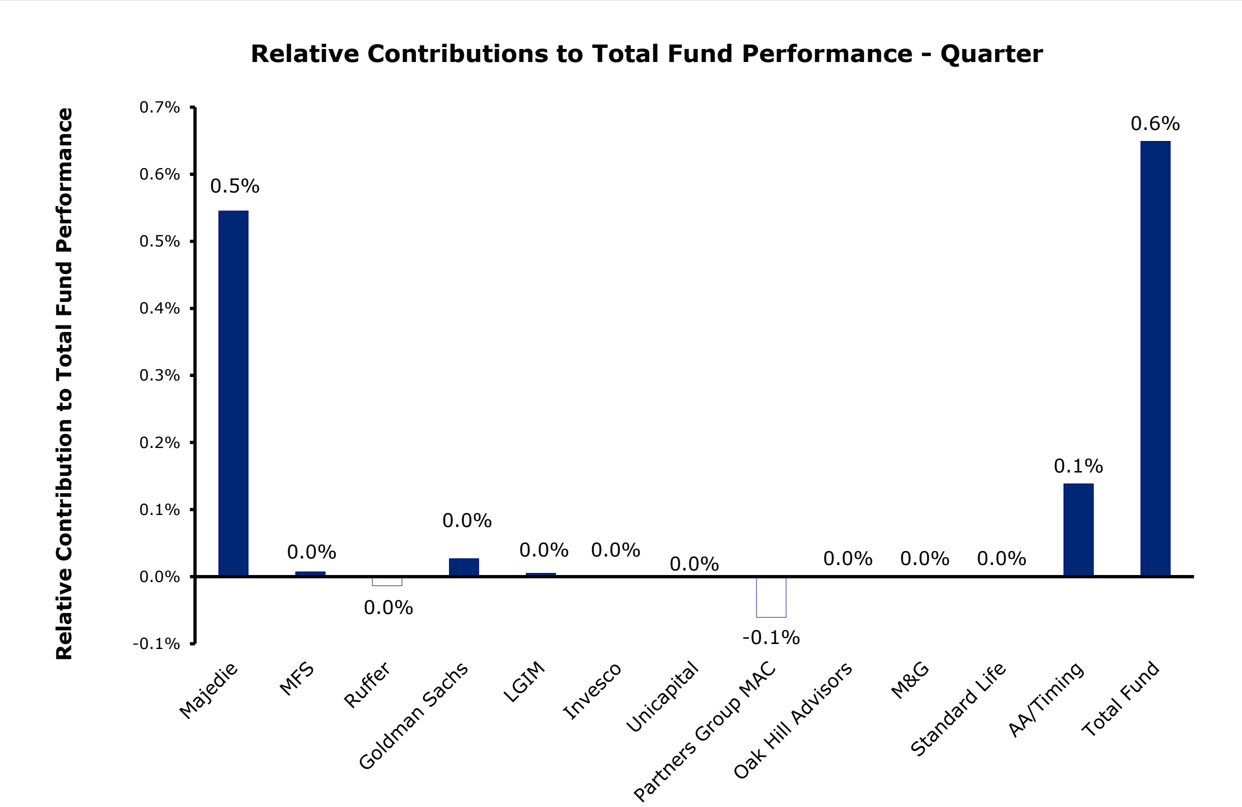
Over the quarter, the Total Fund outperformed its fixed weighted benchmark by 0.7% on a net of fees basis.

Over the one and three year period to 30 June 2015 the Fund has outperformed its benchmark by 4.3% and 3.7% per annum respectively net of fees.

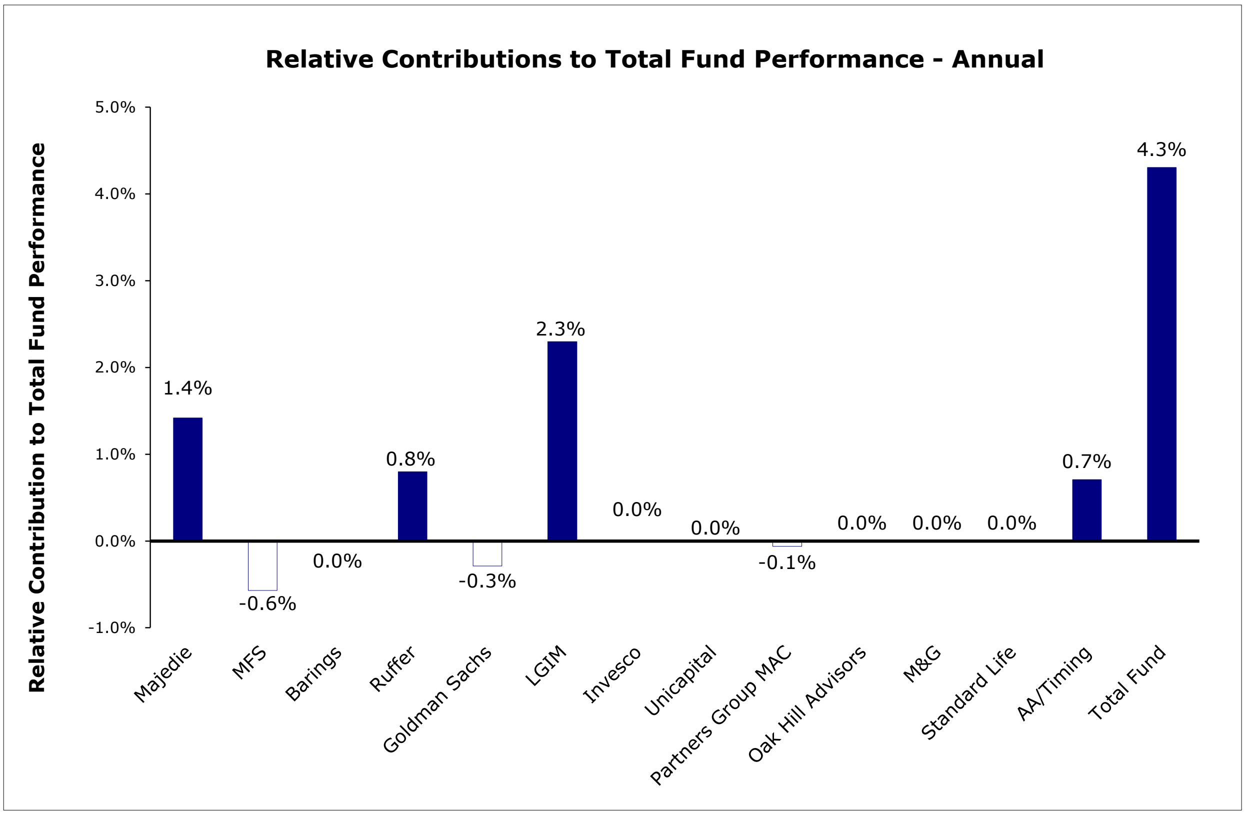
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 30 June 2015, highlighting the strong relative returns over the last couple of years – much of which can be attributed to the outperformance achieved by Majedie.



Attribution of Net Performance to 30 June 2015



On a net performance basis, the Fund outperformed the composite benchmark by 0.7% over the second quarter of 2015, with positive contributions from Majedie and Goldman Sachs: Ruffer and Partners Group marginally MAC detracted from overall performance.



Over the last year the Fund outperformed the composite benchmark by 4.3%, 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 30 June 2015 alongside the Benchmark Allocation.

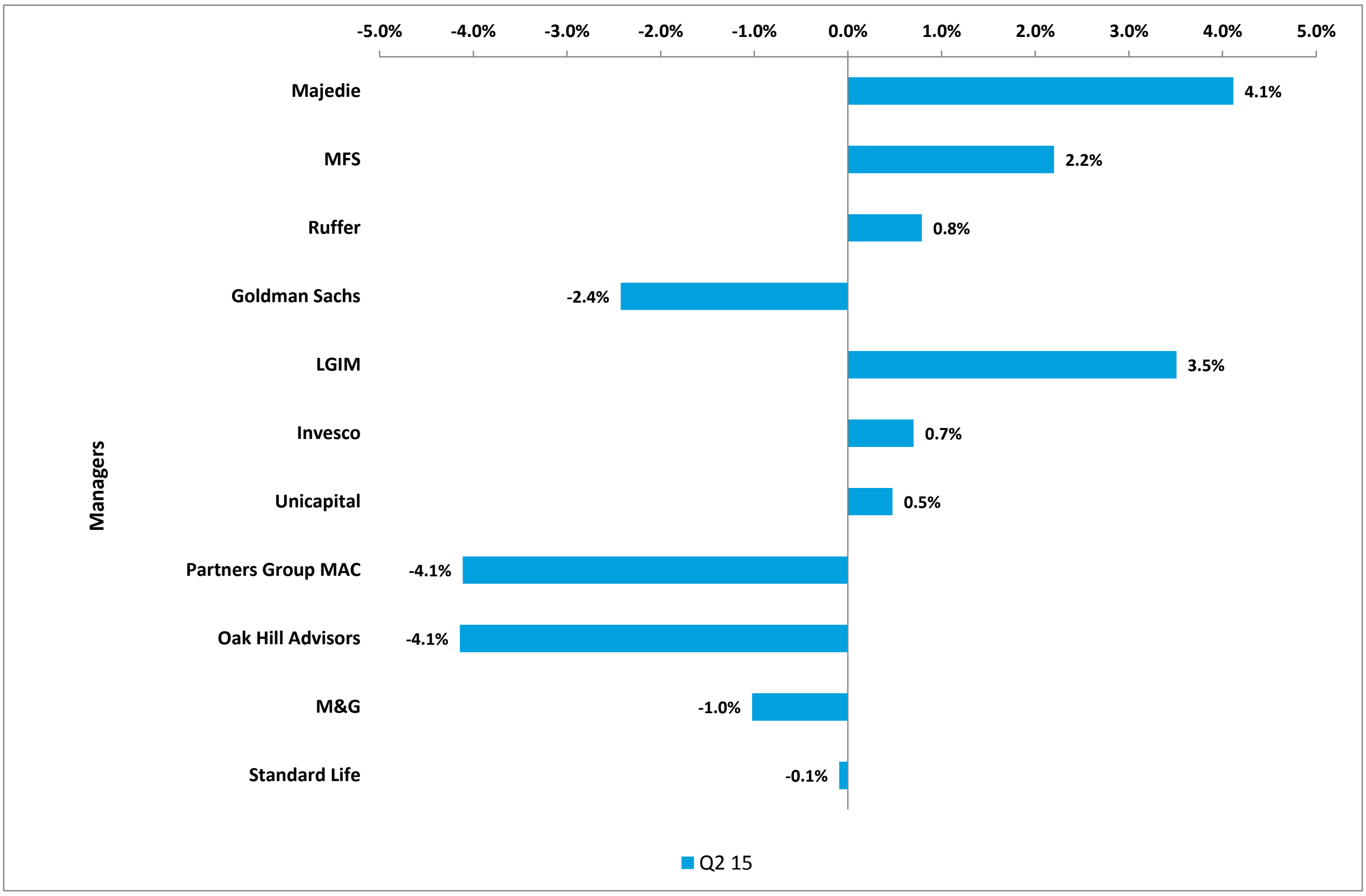
Manager	Asset Class	31 Mar 2015 (£m)	30 Jun 2015 (£m)	31 Mar 2014 (%)	30 Jun 2015 (%)	Benchmark Allocation (%)
		Actual Asset Allocation				
Majedie	UK Equity (Active)	226.5	227.8	26.1	26.6	22.5
MFS	Overseas Equity (Passive)	222.9	211.4	25.7	24.7	22.5
	Total Equity	**449.4**	**439.3**	**51.8**	**51.3**	**45.0**
LGIM	Liquidity Fund	120.7	0.0	13.9	0.0	0.0
Ruffer	Absolute Return	91.3	92.4	10.5	10.8	10.0
	Sub –total	**212.0**	**92.4**	**24.4**	**10.8**	**10.0**
Goldman Sachs	Absolute Return Bond	64.1	64.8	7.4	7.6	10.0
LGIM	Matching	132.2	30.0	15.2	3.5	0.0
	Total Matching	**196.3**	**94.9**	**22.6**	**11.1**	**10.0**
Invesco	Private Equity	6.3	6.0	0.7	0.7	0.0
Unicapital	Private Equity	4.1	4.1	0.5	0.5	0.0
	Total Private Equity	**10.3**	**10.1**	**1.2**	**1.2**	**0.0**
Partners Group MAC	Multi Asset Credit	37.6	50.4	4.3	5.9	10.0
Oak Hill Advisors	Diversified Credit Strategy	0.0	50.1	0.0	5.9	10.0
	Secure Income	**37.6**	**100.5**	**4.3**	**11.7**	**20.0**
M&G	Inflation Opportunities	0.0	76.8	0.0	9.0	10.0
Standard Life	Long Lease Property	0.0	42.0	0.0	4.9	5.0
	Total Inflation Protection	**0.0**	**118.9**	**0.0**	**13.9**	**15.0**
	Total	**868.0**	**856.0**	**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 fell by c. £12.0m. Equity and bond markets fell over the quarter, however Majedie, Ruffer and Goldman Sachs delivered positive absolute performance. Since the quarter end the remaining balance in the LGIM Matching portfolio was realised.

The asset allocation chart below shows the relative underweight and overweight positions of the Fund against the revised allocations 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
Oak Hill Partners	Diversified Credit Strategy	Significant changes to the investment team responsible for the Fund. Significant changes to the liquidity of underlying holdings within the Fund.	1
M&G	Inflation Opportunities	If the Fund's portfolio manager Gary Parker was to leave the business or cease to be actively involved in the Fund, this would trigger a review of the Fund. Failure to find suitable investments within the initial two year funding period.	1
Standard Life	Long Lease Property	Richard Marshall leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over. A build up within the Fund of holdings with remaining lease lengths around 10 years.	1

Majedie

Business

The UK Equity fund and the Tortoise fund are at full capacity, however Majedie will recycle as investors de-risk and money is removed from the fund. .The global strategies launched a year ago are now beginning to garner interest from investors, with positive results since inception.

Personnel

Majedie has added to their compliance team with a couple of new hires over the quarter.

Deloitte view – We continue to rate Majedie positively for its UK equity capabilities.

MFS

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

Deloitte View: The performance of the Fund's strategy has been disappointing and, as such, 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 35% 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. Goldman Sachs was invited to present to the Pensions Sub-Committee to explain the funds disappointing performance, particularly over the past 12 – 18 months.

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 £259.2m as at 30 June 2015. Investors have committed a total of £255.3m to the Fund and the final drawdown for investment was made on 28 April 2015. As at 30 June 2015, 90% of the Fund was invested and Partners Group has allocated all of the remaining commitments to deals, with the final investment expected to be made during the fourth quarter of 2015.

During the second quarter, Partners Group launched the successor fund, Multi-Asset Credit 2015. The Fund had its first close on 20 July 2015 with £100m committed. The second close is targeted for September 2015 and is expected to amount to c. £200m of investment.

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

Oak Hill Advisors – Diversified Credit Strategy (DCS)

The total capital which Oak Hill Advisors ("OHA") manages increased by approximately $1bn over the quarter (total AuM $27bn). Total AuM in the DCS Fund was $3.1bn as at 30 June 2015, with $2.1bn in the pooled vehicle (an increase of $300m over the quarter).

During the quarter, OHA hired Colin Blackmore as Head of Legal and Compliance having previously been with real estate manager La Salle. OHA also hired Lucy Panter as a Managing Director and portfolio manager for European Credit.

Deloitte view – We continue to rate Oak Hill Advisors for its fixed income and high yield capabilities.

M&G – Inflation Opportunities Fund

The Inflation Opportunities Fund is now fully drawn-down and no further clients are waiting to come into the fund. The total AuM in the fund is £400m.

M&G has increased their client relationship team with 3 additions expected to join the business during the third quarter.

Deloitte view – We continue to rate M&G for its investment capabilities.

Standard Life – Long Lease Property

In June it was announced that Keith Skeoch, the Chief Executive of Standard Life Investments (SLI), would be taking over from David Nish as the Chief Executive of Standard Life plc as well as continuing in his role as Chief Executive at SLI. While we see Skeoch as having been a key factor in SLI's growth over the last 10 years or so, there is a team of experienced individuals who have responsibility for the management and development of the main business streams. Stability within this team will be crucial for the continued success of the investment business going forward.

There were no changes to the team responsible for the Plan's investment, albeit Richard Marshall is getting more support from Ted Roy in managing the funds.

Deloitte View: We continue to rate SLI positively for its long lease capabilities.

5 Majedie – UK Equity

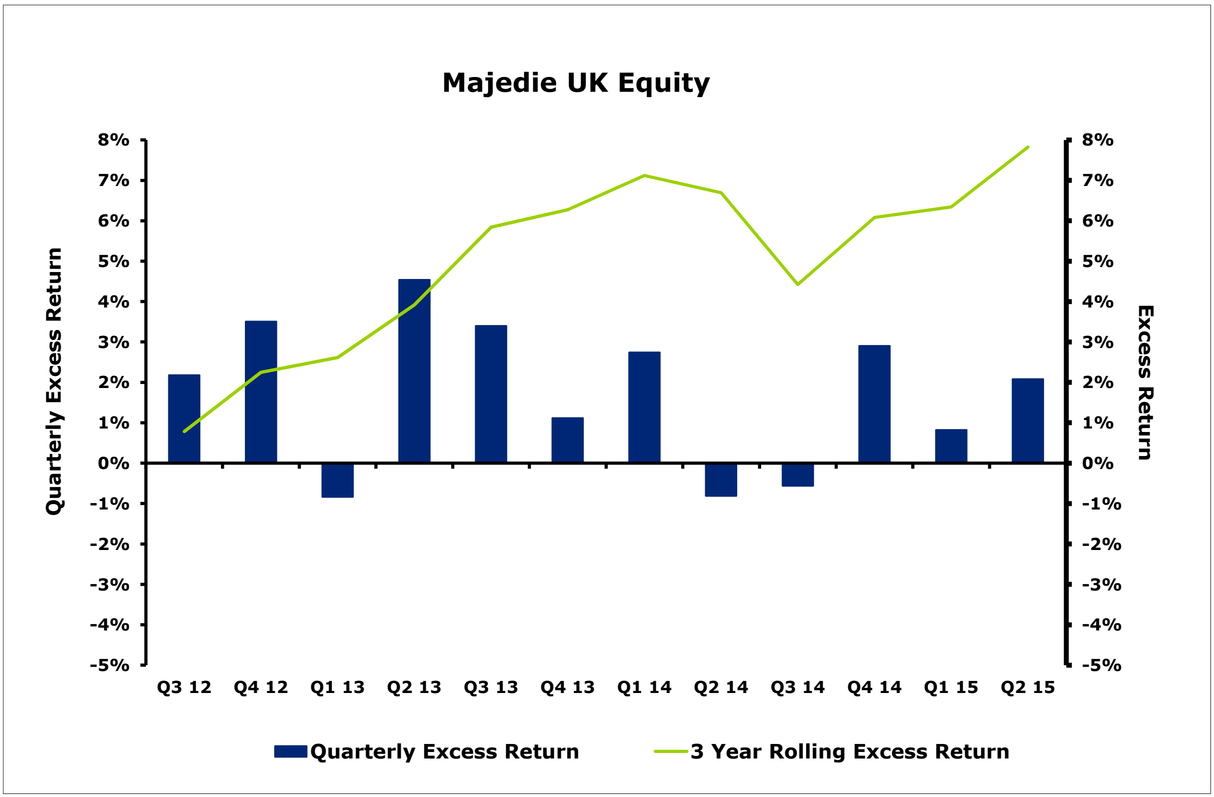
Majedie was appointed to manage an actively managed segregated UK equity portfolio. The manager's remuneration is a combination of a tiered fixed fee, based on the value of assets and a performance related fee of 20% of the outperformance which is payable when the excess return over the FTSE All Share +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 30 June 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)(1)	Three Years (% p.a.)	Five Years (% p.a.)
Majedie – Gross of fees	0.6	8.4	14.4	19.2	16.0
Net of fees(1)	0.5	8.0	14.0	18.8	15.6
Benchmark	-1.6	2.6	7.7	11.0	10.7
Target	-1.1	4.6	9.7	13.0	12.7
Net performance relative to Benchmark	2.1	5.4	6.3	7.8	4.9

Source: Northern Trust

(1) Estimated by Deloitte



The outperformance of the UK Focus Fund and UK Equity Fund over the quarter was a significant contributor to the overall performance of the Fund as a whole. The UK Focus Fund and UK Equity Fund outperformed the FTSE All Share by 2.2% and1.2% over the quarter, although this was offset to an extent by the Tortoise Fund where returns were a disappointing -3.6%.

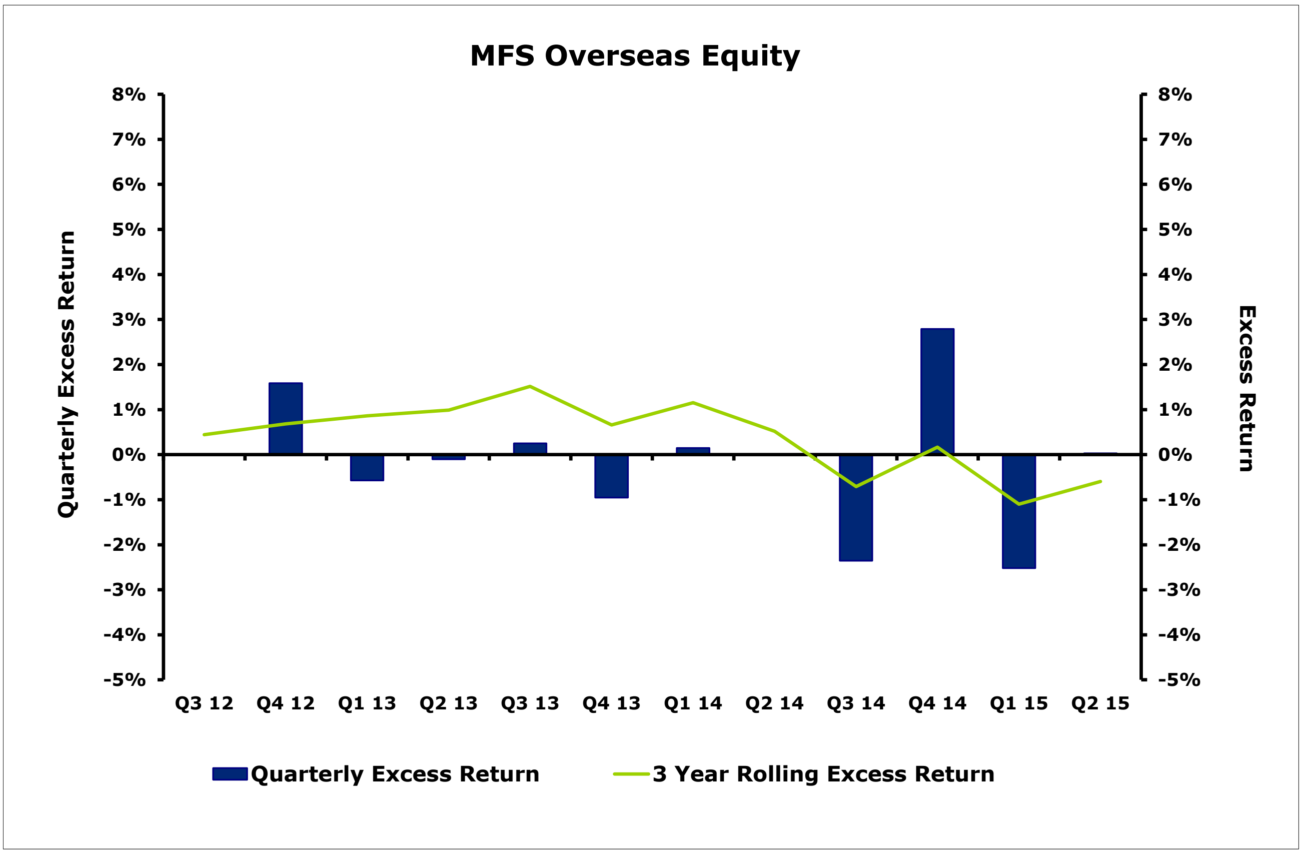
6 MFS – Overseas Equity

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 30 June 2015

	Last Quarter (%)	One Year (%)	Two Years[1] (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
MFS – Gross of fees	-5.1	13.4	11.3	14.7	12.9
Net of fees[1]	-5.2	13.0	10.9	14.3	12.5
Benchmark	-5.3	15.2	12.3	14.9	12.5
Target	-4.8	17.2	14.3	16.9	14.5
Net performance relative to Benchmark	0.0	-2.3	-1.4	-0.6	0.0

Source: Northern Trust. Relative performance may not tie due to rounding.
(1) Estimated by Deloitte



MFS slightly outperformed its benchmark over the quarter albeit by only 3 basis points, but remains behind over the one year period to 30 June 2015 by 2.3%, net of fees. Stock selection within the Retail and Financial Services sectors accounted for the slight outperformance. An underweight position in Leisure and Health Care detracted slightly from performance.

MFS has a growth bias and for the purposes of this analysis is measured against a growth index. While the fund has performed in line with the benchmark over the five year period, it has not been able to meet its outperformance target, which is to beat the benchmark by +2% p.a.

7 Ruffer – Absolute Return

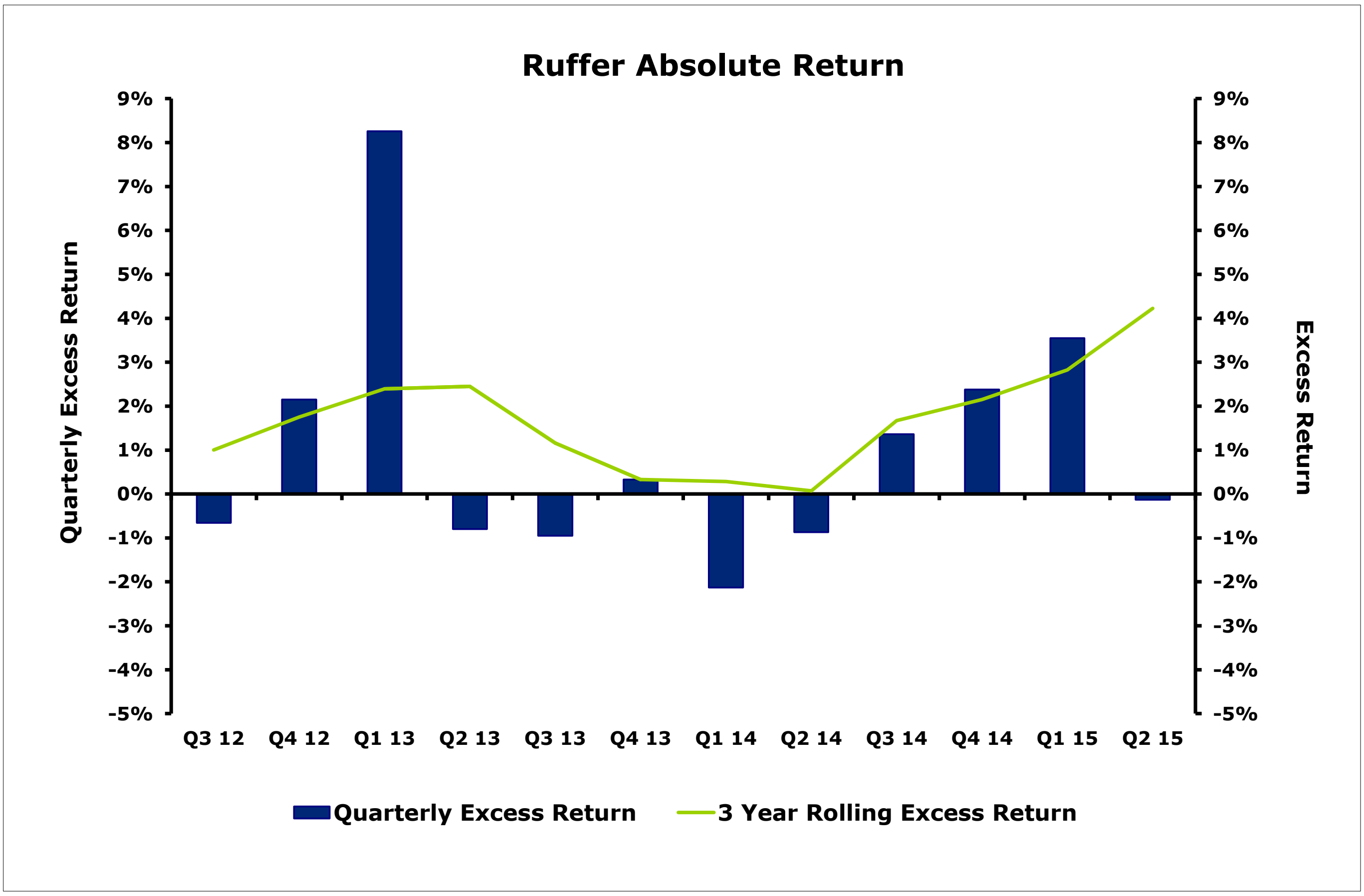
Ruffer was appointed to manage an absolute return mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

Investment Performance to 30 June 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)[1]	Three Years (% p.a.)	Five Years (% p.a.)
Ruffer - Gross of fees	1.2	13.0	7.2	9.6	7.7
Net of fees[1]	1.0	12.1	6.3	8.8	6.9
Benchmark	1.1	4.6	4.6	4.6	4.7
Target	1.1	4.6	4.6	4.6	4.7
Net performance relative to Benchmark	-0.1	7.6	1.8	4.2	2.2

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

(1) Estimated by Deloitte



Ruffer underperformed its target by 0.1% over the quarter, net of fees, however remains ahead of target over the one year period to 30 June 2015 by 7.6%. 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.

Positive performance from the Japanese equity positions in an environment when markets were recording falls was offset to an extent by the impact of rising yields on the index linked gilt portfolio.

8 Goldman Sachs – Absolute Return Bonds

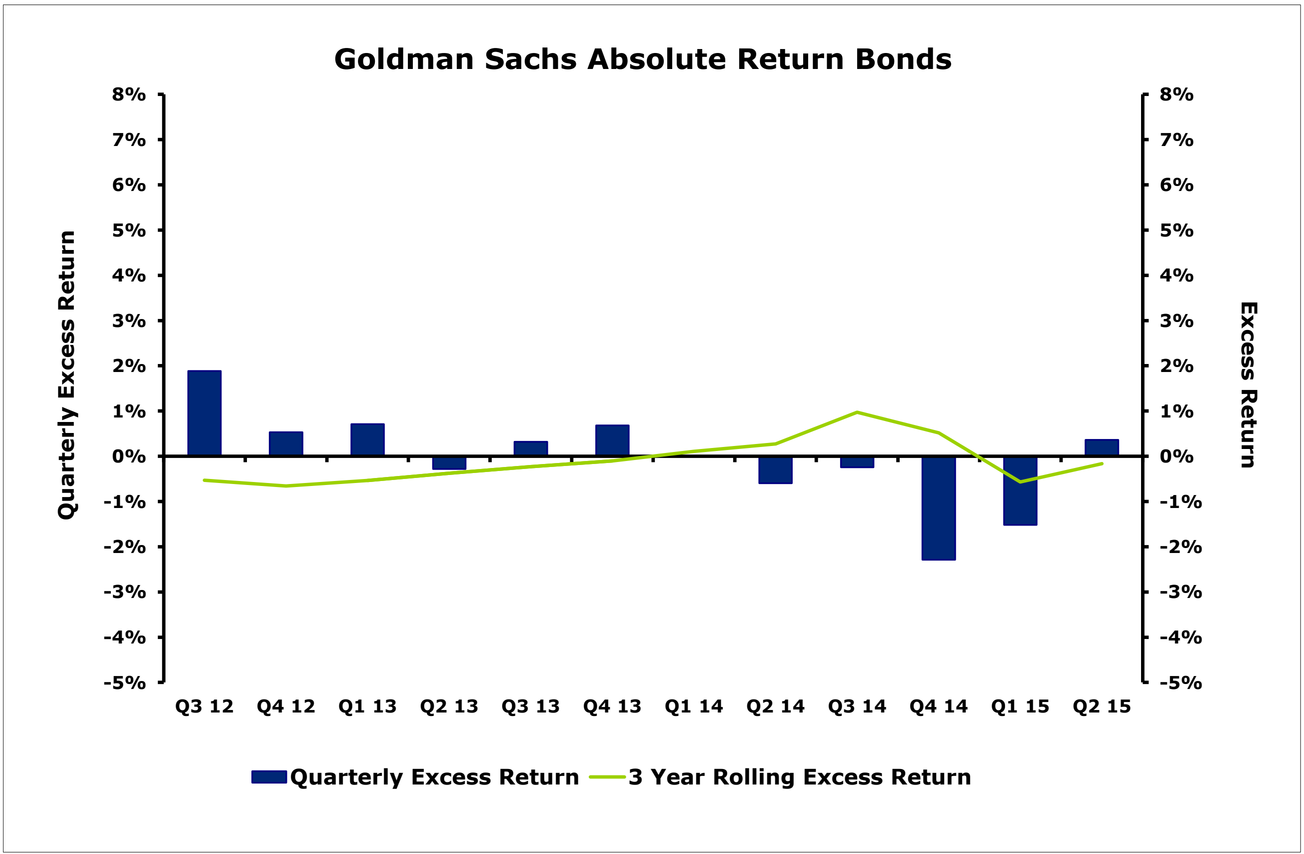
Goldman Sachs was appointed to manage an active bond portfolio with an aim of outperforming the 3 Month Sterling LIBOR by 2% over a rolling three year period. The fees are based on the value of assets invested in the fund.

Investment Performance to 30 June 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Goldman Sachs – Gross of fees	1.1	-0.7	1.3	2.8	2.2
Net of fees(1)	1.0	-1.1	0.9	2.4	1.8
Benchmark	0.6	2.6	2.6	2.6	2.7
Target	0.6	2.6	2.6	2.6	2.7
Net Performance relative to Benchmark	0.4	-3.7	-1.7	-0.2	-0.9

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

(1) Estimated by Deloitte



Goldman Sachs outperformed its target over the quarter to 30 June 2015 by 0.4%, net of fees. The Fund remains behind its target over the longer one, three and five year periods by 3.7%, 0.2% and 0.9%, net of fees.

During the quarter the main contributor to performance came from the country strategy and the government/swap strategy, while the cross-sector strategy was the largest detractor.

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

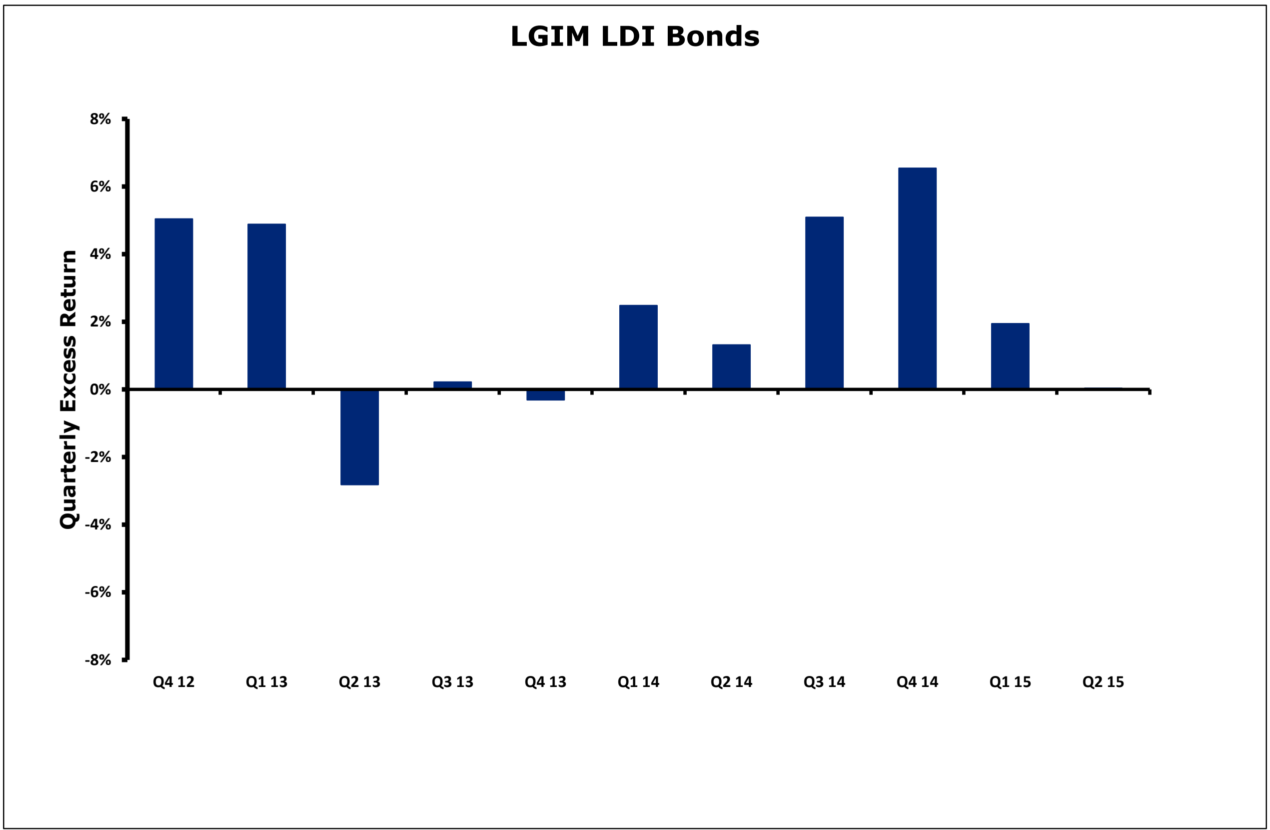
LGIM has a liability matching mandate with the aim of tracking the performance of a leveraged mixture of inflation-linked bonds. Fees are charged based on the value of assets, subject to a minimum fee each year.

Investment Performance to 30 June 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Since Inception 31/03/12 (% p.a.)
LGIM – Gross of fees	-3.2	34.8	21.3	16.9
Net of fees(1)	-3.4	34.4	21.0	16.7
Benchmark	-3.4	18.9	11.9	10.0
Gross performance relative to benchmark	0.0	15.5	9.2	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 performed in line with its benchmark. The portfolio remains comfortably ahead of the benchmark over the one and two year periods to 30 June 2015 by 15.5% and 9.2% p.a.

Following the quarter end, the portfolio has been wound down and the remaining balance will be held in the LGIM Liquidity Fund.

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 30 June 2015

The Fund underperformed its benchmark by 1.4% over the quarter, net of fees, returning -0.3% in absolute terms.

Asset Allocation

The table below shows details of the Fund's five largest holdings based on net asset value as at 30 June 2015.

Investment	Description	Type of Debt	Tranche	Maturity Date	Target IRR (%)	NAV (£m)	% of NAV
Nob Hill Square	Retail shopping centre in Hong Kong.	Real Estate	First lien	2 Apr 2020	6.1	14.3	0.06
Advanced Computer Software	UK software developer.	Corporate	First lien	20 Mar 2022	8.1	11.7	0.05
AS Adventure	Large European specialist multi-brand outdoor retail group.	Corporate	First lien	28 Apr 2022	6.4	11.3	0.05
Alpha German Property Income Trust	Portfolio of 29 real estate assets across Germany.	Real Estate	Mezzanine	31 Mar 2020	12.6	10.6	0.05
CCM Pharma	International drugs company.	Corporate	First lien	31 Dec 2019	5.8	9.8	0.04

Partners Group added 16 new investments to the Fund over the second quarter of 2015, bringing the total number of assets to 41 as at 30 June 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:

Ammeraal Beltech – Corporate Debt

A global supplier and manufacturer of lightweight conveyor belt products. Partners Group provided both the first and second lien senior secured loans, holding 80% of the second lien debt (the largest provider). The first lien loan pays interest of EURIBOR + 4.25% and is expected to achieve a gross IRR of 4.5%. The second lien loan pays interest of LIBOR (subject to a 1% floor) + 8% and is expected to achieve a gross IRR of 10.3%. Partners Group believes the company is an attractive borrower because there is high replacement demand for its products (i.e. airport conveyor belts) and it has a diversified customer base. There is 47% of equity finance to protect debt issuers and Partners Group has agreed prepayment penalties should the company wish to refinance.

Alltub – Corporate Debt

A first lien unitranche loan to Alltub, a producer of aluminium tubes and aerosol cans. Partners Group is the only lender. The loan pays interest of EURIBOR (subject to a 0.75% floor) + 7.25% and is expected to achieve a gross IRR of 9.4%. Partners Group was attracted to Alltub's stable international business and longstanding relationships with large blue-chip customers. Partners Group has negotiated prepayment penalties for this deal and there is 37% equity protecting the debt.

11 Oak Hill Advisors – Diversified Credit Strategies Fund

Oak Hill Advisors 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 30 June 2015

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Since Inception (% p.a.)
OHA – Gross of fees	*0.5*	*1.3*	*6.8*	*8.1*
Net of fees[1]	*0.4*	*0.5*	*5.9*	*7.1*
Benchmark	*1.1*	*4.6*	*4.6*	*4.6*
Target	*1.1*	*4.6*	*4.6*	*4.6*
Net Performance relative to Benchmark	*-0.7*	*-4.1*	*1.3*	*2.5*

Source: Oak Hill Advisors. Relative performance may not tie due to rounding.
Note: Historic performance for illustrative purposes only. The Fund has not been invested for longer periods.

The investment with Oak Hill Advisors was funded on 1 May 2015 and therefore quarterly performance is not available. Since its inception, the DCS Fund has delivered 7.1% on a net of fees basis, outperforming its target by 2.5% and has also outperformed the the Blended Credit Index (50% HY 50% Lev Loans) by 1.5%.

In terms of security selection, the top performers include California Resources, an exploration company with access to very good real estate (Permian basin). Nortel Networks was the main detractor over the quarter. In terms of top performing industries, Structured Finance has contributed strongly despite only accounting for 20-25% of the Fund.

The Fund's exposure to the energy sector has decreased considerably over the past 18 months (12% - 8%) and has increased the cash levels in the Fund to 10% to run more defensively.

12 M&G – Inflation Opportunities

M&G was appointed to manage an inflation opportunities mandate with the aim of outperforming the RPI benchmark by 2.5% p.a. The manager has an annual management fee which is calculated based on the underlying assets.

Investment Performance to 30 June 2015

The investment with M&G was funded on 1 May 2015, and therefore quarterly performance is not available. Over the quarter, the Fund returned -1.77% through an allocation to long lease property buoying up the return compared to the ILG holdings.

At the end of June the fund comprised of 72% ILG, 26% Long Lease property and 1% ground rents and the rest in cash. The Fund has a maximum of 2 years to source and invest in suitable long term assets which provide sufficient risk, return and diversification characteristics. M&G is seeing certain assets being purchased at inflated prices driven by investors' needs to get 'money on the ground' quicker. M&G remains true to the Fund's philosophy of sourcing the right assets at the right time. M&G expects the portfolio composition to remain relatively unchanged over the coming quarter although it has a solar transaction and income strip in the pipeline which it hopes to secure towards the end of the year. M&G's medium term expected asset allocation views have not changed.

The management fee's charged by the fund are dependent on the underlying assets. Therefore while M&G is sourcing assets and has the majority invested in ILG's, clients are charged based on the assets currently in the portfolio and not based on a medium term expected portfolio. The current weighted average management fee is 28bps. Once the portfolio is fully invested we would expect to see this move towards 37bps.

13 Standard Life Investments – Long Lease Property

Standard Life Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

Investment Performance to 30 June 2015

The investment with Standard Life was funded on 9 and 10 April 2015. Since inception, the Fund outperformed the Gilts + 2% target by 7.5%, returning 4.5% in absolute terms, where performance was helped by being able to “match” almost half the allocation with an investor exiting.

Portfolio Holdings

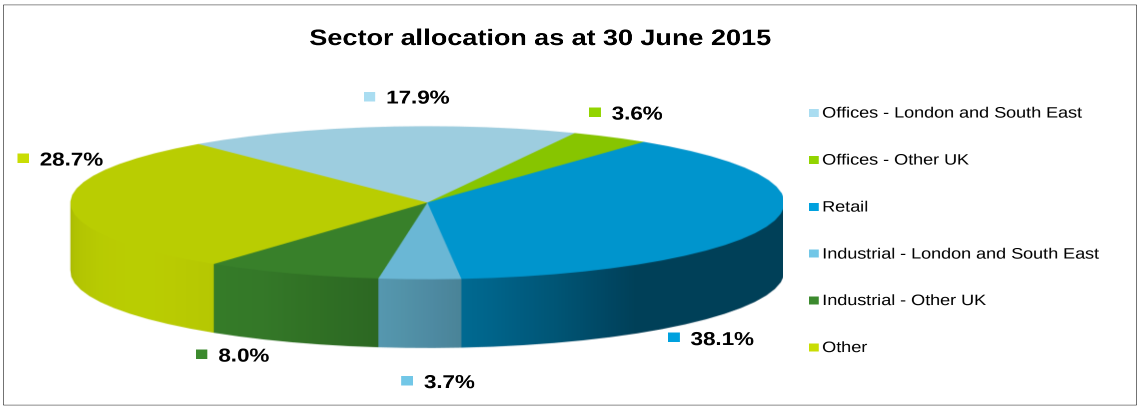
Details of the top ten property holdings in the Fund and approximate valuations are shown below:

Location	Property	Sector	Value £m
London	1 St John’s Lane	Office	81.5
London	QVC, Building 8 Chiswick Park	Office	77.4
Salford	Salford Village Living	Other	65.3
Warrington	Travis Perkins	Industrial	58.4
Sutton Coldfield	Tesco Extra	Retail	57.5
Edinburgh	Napier University	Other	54.2
Bracknell	Tesco Bracknell North	Retail	52.3
Colchester	Tesco Colchester	Retail	51.0
London	Premier Inn	Other	50.6
Reading	Clearwater Court	Office	49.1
Total			**597.2**

Note: Figures provided by Standard Life Investments

The Fund remains underweight in the office sector (21.5% compared to 34.8%) and remains underweight the industrial sector (11.7%), compared to 19.2% at the end of the first quarter. The Fund is also slightly underweight the retail sector (38.1% compared to 39.7%).

The Fund continues to be significantly overweight in the “Other” sector (28.7% compared to 6.3%) as a result of its holdings in a range of car parks, student accommodation, hotels, medical centres and law courts, as well as its indirect holding in the Standard Life Investments Commercial Ground Rent Fund.



The table below shows details of the top ten tenants in the Fund measured by percentage of net rental income:

Tenant	Property/Location	Total Rent £m p.a.	% Net Income
Tesco Stores Limited	Various	7.8	11.6
Premier Inn Limited	Various	5.1	7.5
Sainsbury's Supermarkets	Various	4.7	7.1
Asda Stores Limited	Various	4.4	6.6
Save the Children Fund	1 St Johns Lane, London	3.5	5.2
WM Morrisons Supermarkets	Various	3.5	5.2
Marstons PLC	Various	3.4	5.0
Glasgow City Council	Various	3.1	4.6
Travis Perkins (Properties)	Travis Perkins, Warrington	3.0	4.5
The Court of Napier University	Napier University, Fountainbridge	2.8	4.2
Total		**41.2**	**61.4**

The top 10 tenants contribute 61.4% of the total net income into the Fund. Supermarkets continue to dominate the Fund, with Tesco, Sainsbury's, Asda and Morrison's contributing 30.5% to the Fund's total net rental income. Premier Inn is now the second largest tenant following the completion of the development in Aldgate.

The Fund's average unexpired lease term has remained broadly unchanged over the quarter at 25.1 years.

The proportion of the Fund invested in assets with fixed, part-fixed, CPI or RPI-linked rental increases rose from 89.6% to 89.9% over the second quarter of 2015.

Portfolio Activity

There was one disposal over the second quarter of 2015:

- An industrial unit in Swansea was sold for £11.75m. Whilst SLI were not looking to dispose of this particular asset, the tenant was looking to downsize and paid a price (29% above the last valuation) which SLI did not believe would be achievable on the open market.

There were no acquisitions over the quarter.

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
Ruffer	Dynamic Asset Allocation	10.0%	3 Month Sterling LIBOR +4% p.a.	31/07/08
Goldman Sachs	Absolute Return Bonds	10.0%	3 Month Sterling LIBOR +2% p.a.	31/03/03
LGIM	LDI Bonds	0.0%	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	10.0%	3 Month Sterling LIBOR +4% p.a.	28/01/15
Oak Hill Advisors	Multi Asset Credit	10.0%	3 Month Sterling LIBOR +4% p.a.	01/05/15
M&G	Inflation Opportunities	10.0%	RPI +2.5%	01/05/15
Standard Life Investments	Long Lease Property	5.0%	FT British Government All Stocks Index +2.0%	09/04/15
	Total	**100.0%**		

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.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

Our advice must not be copied or recited to any other person than you and no other person is entitled to rely on our advice for any purpose. We do not owe or accept any responsibility, liability or duty towards any person other than you.

Deloitte Total Reward and Benefits Limited is authorised and regulated by the Financial Conduct Authority.

Barnett Waddingham
Public Sector Consulting

London Borough of Hammersmith and Fulham Pension Fund

Funding Update Report

as at 30 June 2015

Graeme D Muir FFA
Barnett Waddingham LLP

4 August 2015

Contents

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 30 June 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.

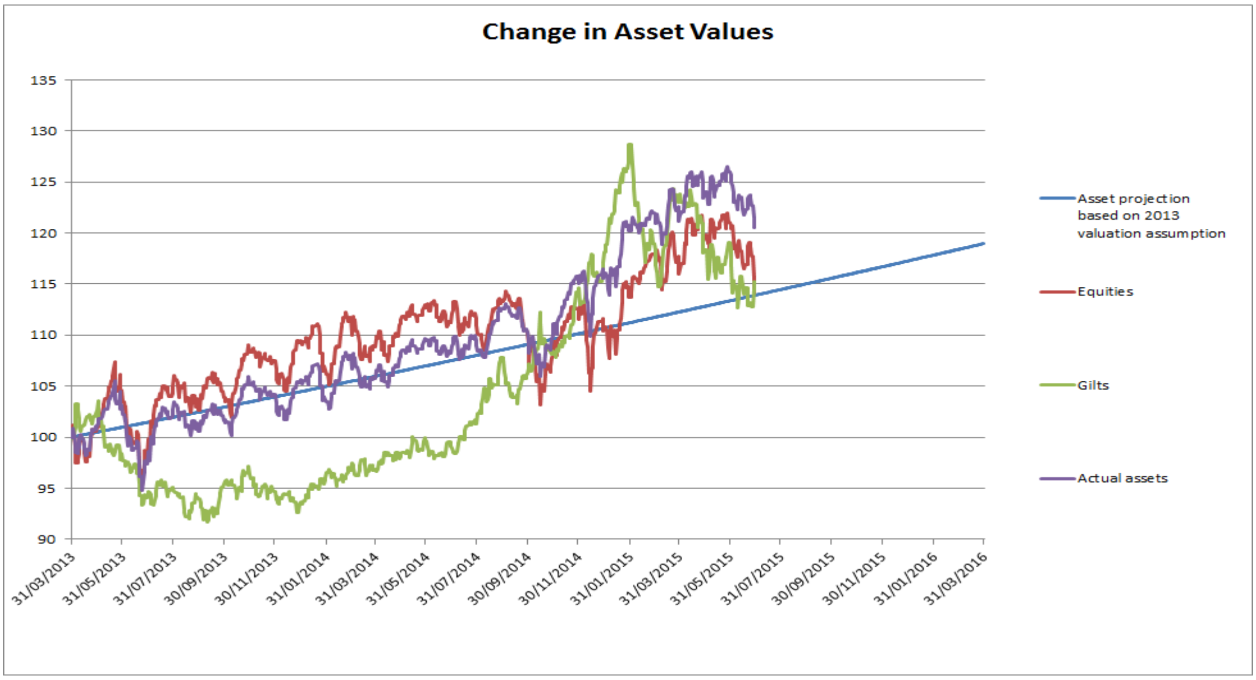
2. Assets

2.1. The estimated (unsmoothed) asset allocation of the London Borough of Hammersmith and Fulham Pension Fund as at 30 June 2015 is as follows:

Assets (market value)	30 Jun 2015		31 Mar 2015		31 Mar 2013	
	£000s	%	£000s	%	£000s	%
Absolute return	72,157	8.4%	66,863	7.7%	191,468	26.4%
Commodities	3,590	0.4%	2,540	0.3%	4,615	0.6%
Hedge funds	0	0.0%	132,185	15.2%	101,396	14.0%
UK and overseas equities	484,199	56.1%	498,315	57.4%	390,299	53.9%
Inflation Opportunities Fund	76,847	8.9%	0	0.0%	0	0.0%
Property	42,007	4.9%	0	0.0%	0	0.0%
Gilts	60,680	7.0%	31,923	3.7%	23,755	3.3%
Cash and accruals	23,225	2.7%	99,150	11.4%	12,553	1.7%
Multi Asset Credit Funds	100,520	11.6%	37,500	4.3%	0	0.0%
Total assets	**863,225**	**100%**	**868,476**	**100%**	**724,086**	**100%**

2.2. The investment return achieved by the Fund's assets in market value terms for the quarter to 30 June 2015 is estimated to be -0.5%. The return achieved since the previous valuation is estimated to be 20.6% (which is equivalent to 8.7% p.a.).

2.3. 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:



2.4. As we can see the asset value as at 30 June 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)	30 Jun 2015		31 Mar 2015		31 Mar 2013	
	Nominal	Real	Nominal	Real	Nominal	Real
	% p.a.		% p.a.		% p.a.	
Pension increases	2.68%	-	2.54%	-	2.74%	-
Salary increases	4.48%	1.80%	4.34%	1.80%	4.54%	1.80%
Discount rate	5.51%	2.83%	5.46%	2.92%	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 30 June 2015 is 86.7% and the average required employer contribution would be 23.3% 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 30 June 2015 is 5.5% p.a. The investment return required to restore the funding level to 100% by 2035, without the employers paying deficit contributions, would be 6.2% 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.

Smoothed Valuation date	Assets £000s	Liabilities £000s	Surplus/ Deficit £000s	Funding level %	CARE ongoing cost (% of payroll)	Past service ctbn	Total ctbn (% of payroll)	Discount rate	Return required to restore funding level (p.a.)
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	864,770	991,732	(126,962)	87%	15.1%	7.2%	22.3%	5.4%	6.1%
31 Mar 2015	870,515	993,332	(122,817)	88%	15.0%	7.0%	22.0%	5.5%	6.1%
30 Apr 2015	878,102	994,164	(116,062)	88%	14.9%	6.7%	21.6%	5.5%	6.2%
31 May 2015	885,084	996,686	(111,602)	89%	14.9%	6.5%	21.4%	5.6%	6.2%
30 Jun 2015	884,789	1,020,969	(136,179)	87%	15.5%	7.8%	23.3%	5.5%	6.2%

Appendix 4A: CASHFLOW MONITORING: April 2015 to June 2015

Cashflow actuals and forecast for period April 2015 to March 2016

	Apr15 £000	May15 £000	Jun15 £000	Jul15 £000	Aug15 £000	Sep15 £000	Oct15 £000	Nov15 £000	Dec15 £000	Jan16 £000	Feb16 £000	Mar16 £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	**4,486**	**2,415**	**8,013**	**8,658**	**7,128**	**5,358**	**3,883**	**2,658**	**-517**	**-1,742**	**-2,967**	**-4,842**
Contributions	322	8,358	3,521	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Pensions	-2,392	-2,410	-2,401	-2,450	-2,450	-2,450	-2,450	-2,450	-2,450	-2,450	-2,450	-2,450
Lump Sums	-1	-334	-410	-500	-1,250	-450	-450	-450	-450	-450	-450	-450
Net TVs in/(out)	0	0	298	0	-370	-75	-75	-75	-75	-75	-75	-75
Expenses	1	-17	-363	-380	-500	-300	-50	-2,000	-50	-50	-700	-700
Net cash in/(out) in month	-2,071	5,598	645	-1,530	-2,770	-1,475	-1,225	-3,175	-1,225	-1,225	-1,875	-1,875
Withdrawals from Fund Managers	0	0	0	0	1,000*	0	0	0	0	0	0	0
Balance c/f	**2,415**	**8,013**	**8,658**	**7,128**	**5,358**	**3,883**	**2,658**	**-517**	**-1,742**	**-2,967**	**-4,842**	**-6,717**

**Distributions from the private equity managers Invesco and Unigestion.*

Cashflow actuals compared to forecast in April 2015 to June 2015 quarter

	April 2015		May 2015		June 2015		Apr to Jun 2015
	Forecast	**Actual**	**Forecast**	**Actual**	**Forecast**	**Actual**	**Variance**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Contributions	8,300	322	1,800	8,358	1,800	3,521	301
Pensions	-2,350	-2,392	-2,350	-2,410	-2,350	-2,401	-153
Lump Sums	-390	-1	-390	-334	-390	-410	426
Net TVs in/(out)	-75	0	-75	0	-75	298	523
Expenses	-20	1	-700	-17	-20	-363	360
Withdrawals from Fund Managers	0	0	0	0	0	0	0
Totals	**5,465**	**-2,071**	**-1,715**	**5,598**	**-1,035**	**645**	**1,457**

Notes on variances in quarter:

- The implementation of the new financial system on 1st April 2015 has led to some timing issues on payments out – expenses, lump sums and transfers out. This has resulted in the cash balance being higher than anticipated on 30th June 2015.
- The forecast for the remainder of 2015/16 has been adjusted to reflect the timing issues.

Appendix 4B: CASHFLOW FORECAST: April 2016 to March 2017

	Apr16 £000	May16 £000	Jun16 £000	Jul16 £000	Aug16 £000	Sep16 £000	Oct16 £000	Nov16 £000	Dec16 £000	Jan17 £000	Feb17 £000	Mar17 £000	TOTAL £000
Contributions	8,300	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	28,320
Pensions	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-30,000
Lump Sums	-450	-450	-450	-450	-450	-450	-450	-450	-450	-450	-450	-450	-5,400
Net TVs in/(out)	-75	-75	-75	-75	-75	-75	-75	-75	-75	-75	-75	-75	-900
Expenses	-50	-600	-50	-50	-600	-50	-50	-2,100	-50	-50	-600	-500	-4,750
Net cash in/(out) in month	5,225	-1,805	-1,255	-1,255	-1,805	-1,255	-1,255	-3,305	1,255	-1,255	-1,805	-1,705	-12,730
Cumulative in/(out)flow	**5,225**	**3,420**	**2,165**	**910**	**-895**	**-2,150**	**-3,405**	**-6,710**	**-7,965**	**-9,220**	**-11,025**	**-12,730**	

Assumptions:

- Contributions increase by 1% in line with expected pay increase.
- Council pay deficit contribution in lump sum in April in line with previous years.
- Pensions increase by 2%.
- Lump sums in line with average in 2014 and 2015.
- Net Transfer values out in line with 2015/16 forecast.
- Expenses increase by 10% reflecting market value increases affecting fund manager fees. Assume performance fee payable in November as in previous years.

Appendix 5: Pension Fund risk register, September 2015

Changes to the risk register since previous quarter

Type	Ref	Risk	Rationale
Remove from register	N/A	**OPERATIONAL: GOVERNANCE** Failure to appoint Pension Board members to enable the first meeting to take place before the statutory deadline of 31st July 2015.	Board was set up and met for first time on 30th July 2015.
Increase likelihood score	4	**OPERATIONAL: ADMINISTRATION** Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	The likelihood score has been increased to reflect the current issues affecting the financial system.
Reduce likelihood score	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.	The likelihood score has been reduced to reflect the interim arrangement with the secondment of CIPFA's Pension Adviser and progress being made with the permanent arrangements following the departure of the Director of Treasury and Pensions.

Additional commentary also provided for risks 16 and 18, but no changes to the levels of risk.

Pension Fund risk register, September 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.	• 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 for Finance	Sept 2015
2	**STRATEGIC: INVESTMENT** Fund managers fail to achieve the returns agreed in their management agreements.	• 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 for Finance	Sept 2015
3	**STRATEGIC: INVESTMENT** Failure of custodian or counterparty.	• 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 for Finance	Sept 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.	• 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 for Finance	Sept 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.	• 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 for Finance	Sept 2015
6	**STRATEGIC: FUNDING** Scheme members live longer than expected leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required.	4	2	Low 8	Director for Finance	Sept 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.	• 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 for Finance	Sept 2015
8	**STRATEGIC: REGULATION** Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	• 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 for Finance and Bi-borough Director of HR	Sept 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.	• Officers maintain knowledge of legal framework for routine decisions. • Eversheds retained for consultation on non-routine matters.	2	2	Very Low 4	Director for Finance	Sept 2015
10	**OPERATIONAL: GOVERNANCE** Sub-committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	• External professional advice is sought where required • Knowledge and skills policy in place	3	3	Low 9	Director for Finance	Sept 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.	• 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.	3	3	Low 9	Director for Finance and Bi-borough Director of HR	Sept 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.	• 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	Sept 2015
13	**OPERATIONAL: FUNDING** Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	• 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	Sept 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
14	**OPERATIONAL: FUNDING** Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	• 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 for Finance and Bi-borough Director of HR	Sept 2015
15	**OPERATIONAL: FUNDING** Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	• 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	Director for Finance and Bi-borough Director of HR	Sept 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
16	**OPERATIONAL: ADMINISTRATION** Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	• 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. There are currently some challenges with the standard controls and therefore the regular reconciliation processes. Mitigating controls and checks are being put in place to address this. • Periodic internal audits of Pensions Finance and HR teams.	4	2	Low 8	Director for Finance and Bi-borough Director of HR	Sept 2015
17	**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.	• 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 for Finance and Bi-borough Director of HR	Sept 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
18	**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.	• Contract in place with BT to provide service enabling smooth processing of payments. • Update for Sept 2015 is that progress is being made with the timely processing of payments.	4	3	Medium 12	Director for Finance	Sept 2015
19	**OPERATIONAL: ADMINISTRATION** Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	• 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	Sept 2015
20	**OPERATIONAL: ADMINISTRATION** Failure to pay pension benefits accurately leading to under or over payments.	• 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	Sept 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
21	**OPERATIONAL: ADMINISTRATION** Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	• 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	Very Low 5	Bi-borough Director of HR	Sept 2015
22	**OPERATIONAL: ADMINISTRATION** Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. Continued overleaf	• 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	Low 6	Bi-borough Director of HR	Sept 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
22 ctd		• Capita have daily conference calls to go through casework and highlight any problems for resolution.					
23	**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.	• 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	Very Low 5	Bi-borough Director of HR	Sept 2015

Appendix 6: Pension Fund Voting Summary: April to June 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 April to June 2015. This includes the number of occasions the managers voted against management recommendations and ISS recommendations.

	Majedie	**MFS**	**Ruffer**
No. of meetings	135	59	28
No. of resolutions	1,986	410	230
Votes not in line with management	62	68	0
Votes not in line with ISS	116	0	6

Appendix 7: Budget announcement re future consultation

In the Summer Budget on 8th July 2015, the Chancellor made the following announcement regarding Local Government Pension Schemes:

***"Local Government Pension Scheme pooled investments** – The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments."*

This announcement follows the Department for Communities and Local Government consultation in 2014 titled "Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies.", details of which were reported to the Audit, Pensions & Standards Committee on 30th June 2014, along with the response submitted. This previous consultation sought views on the use of collective investment vehicles and passive management of investments to reduce the cost of running the LGPS.

It is anticipated that the consultation referred to in the Budget announcement will be published in October or November and will seek proposals from LGPS funds to significantly reduce costs, without impacting on investment returns. This appears to be more open to Funds bringing forward their own ideas rather than imposing solutions, such as passive management, which was the case with the 2014 consultation.

Hammersmith and Fulham's engagement with the London Collective Investment Vehicle (CIV) – see agenda item regarding the CIV elsewhere on this agenda - as well as participation in national frameworks for procurement are positive steps in the direction the government is seeking. However until the consultation is published, it will not be clear what criteria the Fund will be judged against.

Agenda Item 5

London Borough of Hammersmith & Fulham
PENSIONS SUB-COMMITTEE
9th September 2015
PENSION FUND ANNUAL REPORT AND ACCOUNTS 2014/15
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 Local Government Pension Scheme regulations require the Pension Fund to prepare and publish an annual report by 1st December every year. The report for 2014/15 which the Committee is asked to approve has been prepared in line with the requirements of the regulations and having regard to the CIPFA guidance on the preparation of annual reports. The external auditors are expected to give an unqualified opinion on the annual report, as detailed in their draft opinion shown in the report.

1.2. The Pension Fund Annual report includes the Pension Fund Accounts for the year. As reported to the June meeting of the sub-committee, approval of the accounts will take place at the Audit, Pensions and Standards Committee on 15th September 2015, alongside the Council's main accounts.

2. RECOMMENDATIONS

2.1. That the Pension Fund Annual Report 2014/15 be approved, subject to final audit sign-off.

2.2. That the Pension Fund Accounts for 2014/15 be noted, pending approval at the Audit, Pensions and Standards Committee on 15th September 2015.

3. REASONS FOR DECISION

3.1. The Local Government Pension Scheme (LGPS) Regulations 2013 require the Pension Fund to publish an annual report covering the financial year by 1st December 2015.

4. INTRODUCTION AND BACKGROUND

4.1. The Local Government Pension Scheme Regulations 2013 require all Local Government Pension Funds to prepare and publish an annual report on the activities of the Fund by 1st December following the end of the financial year. The regulations set out the areas to be covered in the report and guidance from CIPFA provides further detail of the requirements.

4.2. The Pension Fund accounts are included in the annual report and have been subject to audit over the summer. As agreed at the Pensions Sub-committee in June 2015, approval of the Pension Fund accounts has been delegated to the Audit, Pensions and Standards Committee to be considered alongside the Council's main accounts.

5. PROPOSAL AND ISSUES

5.1. The LGPS regulations require the Pension Fund annual report to include information about the following:

- Management and Financial performance;
- Investment Policy;
- Administration;
- Funding;
- Pension Fund Accounts;
- Links to Statement of Investment Principles, Funding Strategy Statement and Communication Policy Statement.

5.2. The annual report for 2014/15 attached at Appendix 1 includes all of the requirements above and has been prepared having regard to the CIPFA guidance.

5.3. The Funding Strategy Statement was last reviewed in February 2014, and it is planned to review it in line with the next actuarial valuation in 2016. The Communication Policy Statement was last reviewed in September 2013 and an update will be prepared by HR colleagues as required. The Statement of Investment Principles was last reviewed by the sub-committee in March 2015.

5.4. The Pension Fund accounts have been audited by the external auditors, KPMG. They have also reviewed the annual report for consistency with the accounts and their unqualified draft opinion is included on page 54 of the annual report.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. The production of the annual report is required by the LGPS regulations and therefore there are no other options to consider.

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. The comments of the Director for Finance are contained within this report.

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
1.	None.		

LIST OF APPENDICES:

Appendix 1: Pension Fund Annual Report 2014/15

London Borough of Hammersmith & Fulham
DRAFT Pension Fund Annual Report
2014-2015

Contents

Chairman's report

The Pensions Sub-committee is responsible for overseeing the management of the London Borough of Hammersmith & Fulham Pension Fund including investment management and pension administration issues. As the current Chairman of this Committee, I am pleased to introduce the Pension Fund's annual report for the year 2014-15.

The Pensions Sub-committee was established in December 2014 to improve the governance of the Pension Fund and allow councillors more time to consider pension issues more fully than had been the case when pension issues were dealt with at the main Audit, Pensions and Standards Committee. Governance of the Fund is being further enhanced by the establishment of a Pension Board which will provide further oversight of the Fund.

During the year the value of the Fund rose by £106m following a positive absolute investment return of 15.1% over the year. This return was 0.3% ahead of benchmark, which was pleasing in a year of change. The Committee and Sub-committee have continued to monitor the Fund closely at every meeting, and challenged the investment advisers as necessary to ensure the Fund's investments are being managed effectively.

As reported last year, a review of the Fund's investment strategy has been on-going to ensure the Fund remains on track to meet the objective of ensuring there are sufficient assets to meet all the liabilities. The changes we implemented in 2014-15 financial year and in April and May of 2015 have been designed to balance investment risk with achieving reasonable returns.

During the year the Committee and Sub-committee have also been monitoring the funding every quarter. By the end of March 2015, the funding level of the Fund had increased from 83% to 87%. The next full actuarial valuation of the Fund is due to take place as at 31st March 2016.

I would like to thank all those involved in the management of the Pension Fund during the year especially those who served on the Committee during 2014-15, as well officers, advisers and investment managers.

Councillor Iain Cassidy

Chairman of Audit, Pensions & Standards Committee & Pensions Sub-committee

Introduction

The Pension Fund is part of the national Local Government Pension Scheme (LGPS) and is administered locally by Hammersmith and Fulham Council. It is a contributory defined benefit pension scheme governed by the Public Service Pensions Act 2013 and the Local Government Pension Scheme regulations. It provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from the Fund's investments. The employer contributions are set by the Fund's actuary at the triennial actuarial valuation, undertaken most recently as at 31st March 2013.

The benefits payable from the Fund are set out in the Local Government Pension Scheme regulations. Prior to 1st April 2014, the LGPS was a final salary scheme which paid pensions on the basis of final salary and length of service. Since 1st April 2014 the scheme has been a Career Average Re-valued Earnings (CARE) scheme, so that a scheme member's pension is based on their earnings throughout their career, rather than solely on their final salary.

In summary the benefits payable are:

- A guaranteed pension based on career average re-valued earnings and length of service;
- Option to take up to 25% of pension as a tax-free lump sum;
- Death and survivor benefits;
- Early payment of pensions in the event of ill health;
- Pension increases in line with Consumer Price Inflation (CPI).

This annual report starts with the Management and Performance section which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.

The Investment section follows and details the Fund's investment strategy, arrangements and performance. This is followed by Scheme Administration which sets out how the administration of the scheme's benefits and membership is undertaken. Section 4 outlines the funding position of the Fund with a statement from the Fund's actuary and section 5 provides the Fund's annual accounts and notes.

The report concludes with a list of contacts in section 6 and a glossary of some of the more technical terms in section 7.

1. Management and Performance

Governance Arrangements

The London Borough of Hammersmith & Fulham Council has delegated decision making powers in respect of pensions matters to the Audit, Pensions and Standards Committee (the Committee). The Committee is made up of nine elected representatives of the Council – five from the administration and four opposition party representatives. Members of the admitted bodies and representatives of the Trade Unions may attend the committee meetings but have no voting rights.

Pensions Sub-committee

In December 2014 the Committee established a Pensions Sub-committee (the Sub-committee) and delegated responsibility for all pensions matters to it. The Sub-committee is made up of five members of the Audit, Pensions and Standards Committee and is chaired by the Chair of the Committee.

The Sub-committee meets at least four times a year and has the following terms of reference:

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.

The Sub-committee obtains and considers advice from the Director for Finance and other officers, and as necessary from the Fund's appointed actuary, advisers and investment managers. The Sub-committee members are required to comply with Council policies such as the member code of conduct and conflicts of interest in relation to their membership of the Sub-committee.

The current membership of the Pensions Sub-committee is as follows:

Councillor Iain Cassidy (Chairman)

Councillor Michael Adam (Vice Chairman)

Councillor Nicholas Botterill

Councillor PJ Murphy

Councillor Guy Vincent

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 Pension 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.

Knowledge and Skills policy

At their meeting on 24th June 2015 the Sub-committee adopted a Knowledge and Skills policy for the Fund with the aim of ensuring all Pensions Sub-committee members, Board members and officers have the necessary knowledge and skills to run the Pension Fund. Self-assessments of current knowledge and skills are underway to inform a training programme. Records of the knowledge, skills and training undertaken will be maintained and reported on in the 2015/16 annual report.

Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure its governance arrangements against a set of best practice principles. This measurement should result in a statement of full, partial or non compliance with a further explanation provided for any non or partial compliance.

The key issues covered by the best practice principles are:

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

The Fund's statement was updated in June 2015 and can be found in the Pension Fund section of the following website:

Link to be added

Scheme Management and Advisers

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have shared services to provide a more efficient service and greater resilience and this includes the Pensions teams.

The shared service team was formed in February 2012 and is responsible for the management of the pension fund investments across the three boroughs. The team is based at Westminster's offices. The Pension Funds continue to be managed separately in accordance with each borough's strategy and so each continues to have sovereignty over decision making. However, officers are continually seeking to improve efficiency and resilience and to minimise the cost of running the Pension Funds, in line with the shared service working aims.

Officers

Director for Finance (section 151 officer)	Hitesh Jolapara
Shared Service Pensions Team	Nikki Parsons Alex Robertson Nicola Webb
Bi-borough Director of HR Bi-borough Pensions Manager	Debbie Morris Maria Bailey

External Advisers

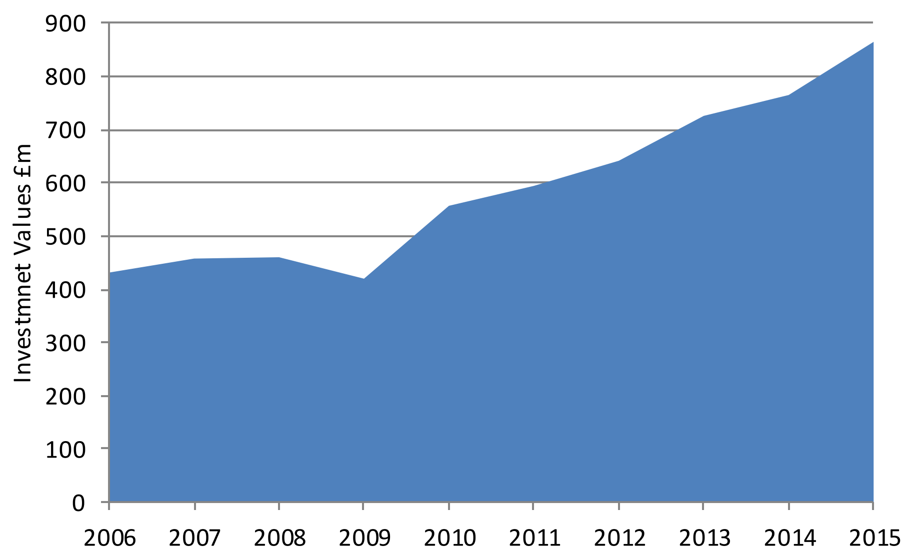
<u>Investment Managers</u> Active Equity managers Dynamic Asset Allocation manager Matching Fund managers Multi Asset Credit manager Private Equity managers From April /May 2015: Property manager Multi Asset Credit managers	 Majedie Asset Management MFS International (UK) Limited Ruffer LLP Goldman Sachs Asset Management Legal & General Investment Management Partners Group Invesco Unigestion Standard Life Oak Hill Advisers M & G
Investment Adviser	Deloitte
Custodian & Bankers	Northern Trust
Actuary	Barnett Waddingham
Auditor	KPMG
Legal Adviser	Eversheds
Scheme Administrators	Capita Employee Benefits (from 1st September 2015 - Surrey County Council)
AVC Providers	Zurich Assurance Equitable Life Assurance Society

Financial Summary and performance

The investment return in 2014/15 was positive both in absolute terms and relative to the Fund's target. The return was 15.1%, which was 0.3% above the target set by the Fund. The Investment Policy and Performance report in section 2 provides more detail on the Fund's investments and performance.

The graph below shows how the value of the Fund's investments have increased over time by showing the total value at 31st March every year for the last ten years:

<u>Value of the Fund over the last ten years</u>



The Pension Fund Account, Net Assets Statement and Notes to the Accounts set out in section 5 provide more detail about the financial transactions during the year and the value of assets at the end.

Risk Management

The Sub-committee recognises that the Pension Fund is subject to a number of risks. It therefore maintains a Pension Fund risk register and reviews the risk and mitigating actions at each meeting. The register covers both strategic and operational risks and risks in relation to the investment, funding, governance and administration aspects of the Pension Fund.

The Fund has recognised that the most significant long term risk is that the Fund’s assets are not sufficient to meet the liabilities. In the light of this, the Fund has set a “Liability Benchmark” to measure the movement in the liabilities and also to assist in monitoring investment performance to ensure it exceeds it.

In order to achieve this level of performance, the Fund has decided to invest in assets, the value of which can fluctuate significantly. To mitigate this risk, an investment strategy which covers a wide range of asset classes and geographical areas has been implemented, to ensure diversification. All of the investments are undertaken in line with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 and only following advice from the Fund’s investment adviser.

All of the Fund’s assets are managed by external investment managers and they are required to provide an audited internal controls report regularly to the Fund which sets out how they ensure the Fund’s assets are managed in accordance with the Investment Management Agreement the Council has signed with each investment manager. A range of investment managers are used to diversify manager risk. All the Fund’s assets are held for safekeeping by the custodian, who is independent of all the investment managers. They are also required to provide an audited internal controls report to the Fund on a regular basis.

The Funding Strategy Statement sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

2. Investment Policy and Performance

The Fund's investment policy, objectives and strategy are summarised below and set out in detail in the Statement of Investment Principles, which can be found at the link shown later in this section. During the year there were a number of decisions made about the investment strategy which led to changes to the investment strategy some of which were implemented during 2014/15 and some in early 2015/16.

Investment Benchmark and Objective

During 2014/15 the benchmark used to measure the estimated movement in liabilities, the "Liability Benchmark" was 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 benchmark for the Fund as a whole was the Liability Benchmark plus 2.2% per annum. The investment objective was to achieve the Liability Benchmark plus 2.5% per annum. All the performance figures in this section are compared to this benchmark.

From 1st April 2015 the Sub-committee agreed a change to the benchmark to reflect the portfolios the Fund will be investing in. This is:

Asset Class	Target Allocation	Benchmark
UK equities	22.5%	FTSE All Share
Overseas equities	22.5%	MSCI AC World ex UK Growth
Secure Income	20%	3 month LIBOR plus 4%
Dynamic Asset Allocation	10%	3 month LIBOR plus 4%
Absolute Return Bonds	10%	3 month LIBOR plus 2%
Inflation Opportunities	10%	UK RPI plus 2.5%
Long Lease Property	5%	FT All Gilt index plus 2%
Total	100%	

Investment Strategy

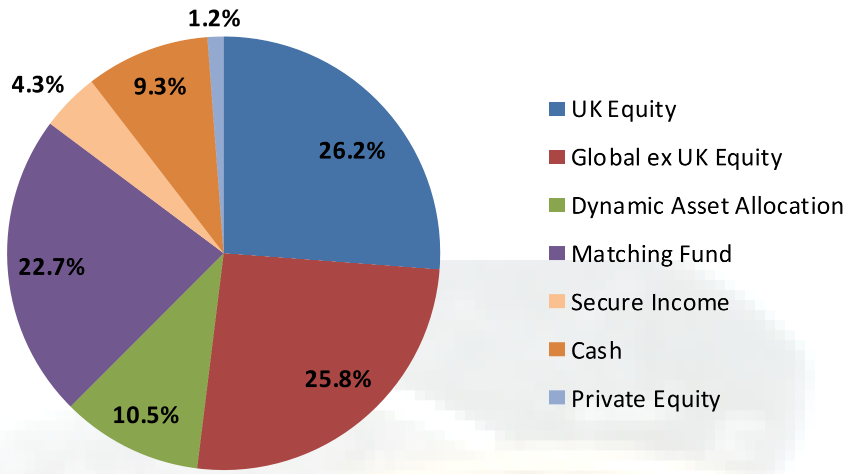
At the beginning of 2014/15 the investment strategy of the Fund was to have four main portfolios - UK Equity, Global (ex UK) Equity, Dynamic Asset Allocation and a Matching Fund (to match some of the Fund's liabilities). The investment strategy was designed to provide diversification and specialisation to reduce exposure to market risk and achieve optimum return against the Liability Benchmark. In addition to the main portfolios, the Fund committed to making investments of up to £15m in private equity in 2004 and 2007. These commitments have largely been paid now and the monies are being distributed back to the Fund.

In August 2014, the Fund disinvested from one of the Dynamic Asset Allocation funds following the departure of the manager of the fund. The proceeds from this were invested in a sterling liquidity fund managed by Legal & General Investment Management pending further decisions about investment strategy. In February 2015 the Fund invested £37.5m of this cash in a Multi Asset Credit fund managed by Partners Group.

The table and graph below shows how the Fund was split between the portfolios at 31st March 2015. The split at 31st March 2014 is shown in the table for comparison.

Portfolio	Benchmark during 2014/15	Market Value at 31/03/2015 £000s	% of Fund at 31/03/2015	Market Value at 31/03/2014 £000s	% of Fund at 31/03/2014
UK Equity	22.5%	226,483	26.2%	207,054	27.1%
Global ex UK Equity	22.5%	222,849	25.8%	182,013	23.8%
Dynamic Asset Allocation	30.0%	91,159	10.5%	206,552	27.0%
Matching Fund	25.0%	196,313	22.7%	157,833	20.6%
Secure Income	0.0%	37,600	4.3%	0	0.0%
Cash	0.0%	80,036	9.3%	0	0.0%
Private Equity	0.0%	10,341	1.2%	11,442	1.5%
TOTAL	100%	864,781	100.0%	764,894	100.0%

Split of investments at 31st March 2015



The table below shows how the investments were split at 31st March 2015 according to whether they are UK holdings, non-UK or global.

	UK £m	Non-UK £m	Global £m	Total £m
Equities	207.9	276.8	0.5	485.2
Bonds	148.9	15.2	64.1	228.2
Property (direct holdings)	0.0	0.0	0.0	0.0
Alternatives	0.0	9.9	-0.7	9.2
Cash and cash equivalents	0.0	0.0	95.4	95.4
Other	0.0	0.0	46.8	46.8
TOTAL	356.8	301.9	206.1	864.8

The split of gross investment income earned during 2014/15 is shown below also split according to whether it was earned from UK holdings, non-UK or global holdings. The income shown in the table is mainly earned from the segregated portfolios, as the majority of pooled fund income is re-invested in those funds and not paid out to the Pension Fund.

	UK £000s	Non-UK £000s	Global £000s	Total £000s
Equities	7,159	3,842	0	11,001
Bonds	103	145	0	248
Property (direct holdings)	0	0	0	0
Alternatives	0	110	0	110
Cash and cash equivalents	2	0	61	63
Other	0	0	0	0
TOTAL	7,264	4,097	61	11,422

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require Pension Funds to prepare, maintain and publish a statement setting out the investment policy of the Fund. In addition Pension Funds are required to demonstrate compliance with the six "Myners Principles".

The "Myners Principles" are a set of recommendations relating to the investment of pension funds which were originally prepared by Lord Myners in 2001 at the request of the Chancellor of the Exchequer and which were subsequently endorsed by Government. The current version of the principles covers the following areas:

- Effective decision making;
- Clear objectives;
- Risk & liabilities;
- Performance Measurement;
- Responsible ownership;
- Transparency and reporting.

The Fund last reviewed the Statement of Investment Principles in March 2015 following the changes agreed to the investment strategy. The Fund's published statement can be found in the Pension Fund section of the following website:

http://www.lbhf.gov.uk/Images/Statement%20of%20Investment%20Principles%202015_tcm21-174597.pdf

Investment Managers

The Fund has appointed external investment managers to manage the Fund's assets. The investment managers have clear benchmarks and targets, which place maximum accountability for performance on the manager. The detail of these is set out in the Statement of Investment Principles. The table below shows how the Fund's assets were allocated between the investment managers at 31st March 2015, and at 31st March 2014 for comparison.

It also shows how the investment of the Fund's assets at 31st March 2015 compared to the target. As described above, the Fund was in a transition phase during 2014/15 having exited from the Barings investment and not yet completed the new investments. This meant that the portfolio looked quite different to the target at 31st March 2015.

Investment Manager	Market Value	% of Fund	Target	Variance from target	Market Value	% of Fund
	at 31 March 2015				at 31 March 2014	
UK Equity Majedie Asset Management	226,483	26.2%	22.5%	+3.7%	207,054	27.1%
Global ex UK Equity MFS International (UK) Ltd	222,849	25.8%	22.5%	+3.3%	182,013	23.8%
Dynamic Asset Allocation Baring Asset Mngt Ltd	0	0.0%	15.0%	-15.0%	125,250	16.4%
Ruffer LLP	91,159	10.5%	15.0%	-4.5%	81,302	10.6%
Matching Fund Goldman Sachs Asset Mngt	64,126	7.4%	12.5%	-5.1%	65,248	8.5%
Legal and General Investment Mngt LDI	132,187	15.3%	12.5%	+4.3%	92,585	12.1%
Secure Income Partners Group Multi Asset Credit	37,600	4.3%	0.0%	+4.3%	0	0.0%
Cash Legal and General Investment Mngt Sterling Liquidity Fund	80,036	9.3%	0.0%	9.3%	0	0.0%
Private Equity Invesco	6,251	0.7%	0.0%	0.7%	6,221	0.8%
Unigestion	4,090	0.5%	0.0%	0.5%	5,221	0.7%
TOTAL	864,781	100.0%	100.0%	0.0%	764,894	100.0%

Since 31st March 2015, a number of new investments have been made. The £80m in the Legal & General Sterling Liquidity Fund was withdrawn, along with £101m of the monies held in the Legal & General LDI Bespoke Fund. £40m was invested in Standard Life's Long Lease Property Fund, a further £12.5m with Partners Group, £50m in Oak Hill Advisers Diversified Credit Strategies Fund, and £78.5m in M&G Inflation Opportunities Fund V. These new investments reflect the new investment benchmark set out on page 11.

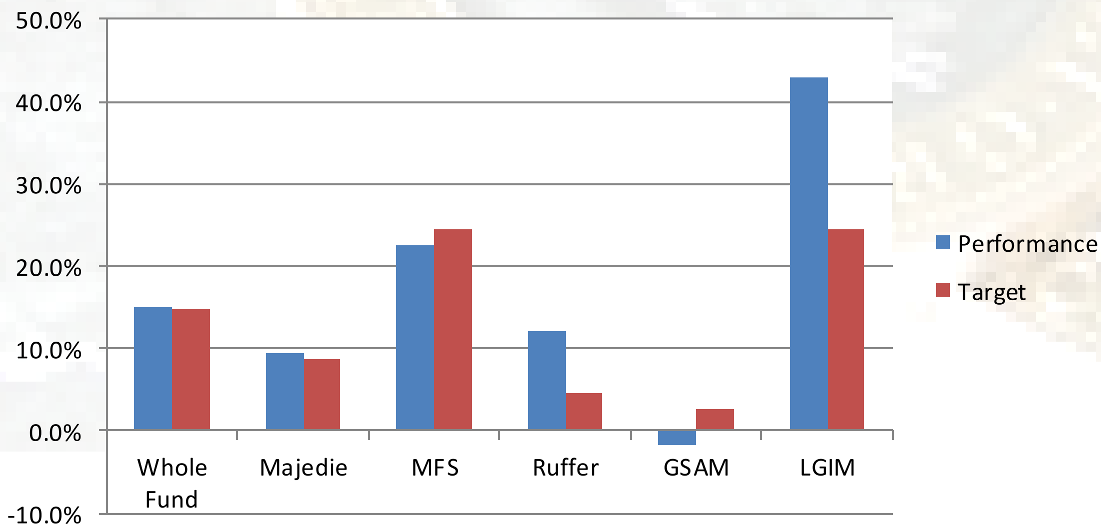
Investment Performance

The table below shows the performance of the Fund against the target in 2014/15, the previous financial year, and the annualised performance over three, five and ten years. The target used to compare performance is that which was in place during 2014/15.

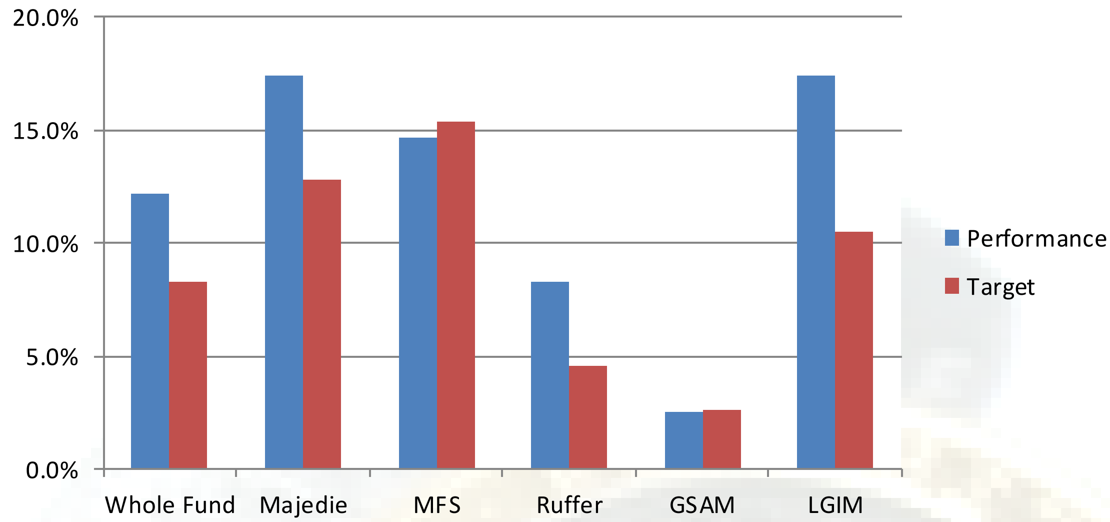
	2014/15	2013/14	3 years	5 years	10 years
Performance	15.1%	6.4%	12.2%	10.2%	9.9%
Target (Liability Benchmark + 2.5%)	14.8%	(1.2%)	8.3%	11.0%	7.8%
Out / (under) performance against target	0.3%	7.6%	3.9%	(0.8%)	2.1%

Each of the investment managers has a benchmark and target set within their Investment Management Agreements with the Fund. Performance is measured quarterly and reported to the Sub-committee. The graphs below show the performance of the investment manager portfolios in place throughout the year against their targets over 2014/15 and annualised over three years.

<u>2014/15 performance against targets</u>



Three Years annualised performance against targets



The graphs show that over both the one year and three year period, all managers except MFS and Goldman Sachs have exceeded their targets. The Sub-committee review performance every quarter and take it into consideration when reviewing investment strategy.

Responsible Investment

The Fund recognises that the neglect of corporate governance and corporate social responsibility may lead to poor or reduced shareholder returns. Following consideration of how to address the issue, in the light of the resources available to the Fund, it has been decided to delegate responsibility for the consideration of responsible investment matters to the Fund's investment managers. The Committee believes this is the most efficient approach for a Fund of this size.

The investment managers are required to report to the Fund on how they implement their responsible investment policy including voting decisions they take on behalf of the Fund in their quarterly reports. A summary of voting actions is reported to the Sub-committee on a quarterly basis.

Custody and Banking

The Fund has appointed a global custodian, independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments – this is Northern Trust. They are also responsible for the settlement of all investment transactions and the collection of income. Funds not immediately required to pay benefits are invested in Northern Trust's AAA rated money market fund. Northern Trust itself has an issuer credit rating of AA- with both Fitch and S&P ratings agencies and A1 with Moody's. The bank account for the Pension Fund has been held with Nat West since December 2014, previously it was also with Northern Trust.

3. Scheme Administration

The Local Government Pension Scheme ("LGPS") is a statutory pension scheme governed by the Public Service Pensions Act 2013. It is a defined benefit pension scheme and the benefits payable from the Fund are set out in the Local Government Pension Scheme regulations. Prior to 1st April 2014, the LGPS was a final salary scheme which paid pensions on the basis of final salary and length of service. Since 1st April 2014 the scheme has become a Career Average Revalued Earnings (CARE) scheme, so that a scheme member's pension is based on their earnings throughout their career, rather than solely on their final salary.

Service Delivery

Although the LGPS is a national scheme, it is administered locally. The London Borough of Hammersmith and Fulham has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents. Capita Employee Benefits have been contracted under a framework to perform the pension administration service for the London Borough of Hammersmith and Fulham and the Council monitors their performance via a series of agreed targets.

From 1st September 2015 the council will be entering into a section 101 agreement with Surrey County Council for them to undertake pensions administration on behalf of the council.

Employers in the Fund

The Fund provides pensions not only for employees of the London Borough of Hammersmith and Fulham, but also for the employees of a number of scheduled and admitted bodies. Scheduled Bodies are organisations which have the right to be a member of the Local Government Pension Scheme under the regulations e.g. academies. Admitted bodies participate in the scheme via an admission agreement, which is a legal document made between the Council and the organisation. Examples of admitted bodies are not for profit organisations with a link to the Council and contractors who have taken on the Council's services and therefore staff have been transferred.

The table below shows the number of employers with active contributing members in each of the last five years. The number of employers has been changing as the number of academies has increased in recent years. This has been offset by a number of employers exiting the Fund when all active members have left.

	2010/11	2011/12	2012/13	2013/14	2014/15
Active Employers	29	30	35	31	36

The next table shows the split of these employers by type at 31st March 2015 and also shows the number of employers who have ceased active membership of the Fund when either their contract has ended or the last active member has left.

	Active	Ceased	Total
Administering Authority	1	0	1
Scheduled Body	15	0	15
Admitted Body	20	17	37
Total	**36**	**17**	**53**

The following is a list of the employers with current active contributing members.

Administering Authority London Borough of Hammersmith & Fulham	
Scheduled Bodies	**Admitted Bodies**
Bentworth Academy	3BM
Bridge Academy	Amey Services Limited
Burlington Danes Academy	Carers Network
Conway Academy	Civica
Fulham College Academy Trust	Disabilities Trust
Greenside Academy	Eden Food Services
Hammersmith Academy	ETDE Infrastructure
Hurlingham & Chelsea Academy	F M Conway Ltd
Lady Margaret Academy	Family Mosaic
Lena Gardens Academy	Family Mosaic Supporting People
London Oratory School	Fulham Palace Trust
Mortlake Crematorium Board	Glencross Cleaning Ltd
Sacred Heart High School	H & F Bridge Partnership
Swift Ark Academy	Medequip Assistive Technology
West London Free School	Mitie Group plc
	Pinnacle PSG Limited
	Quadron Services
	Serco
	Thames Reach
	Urban Partnership Group

Scheme membership

The following table shows the Fund's membership over the last five years. The active membership did fall in 2012/13 and 2013/14 but has stabilised since then. The number of deferred members has increased consistently in every year and the number of pensioners has increased slightly over the five year period. These movements show a maturing of the Fund.

	31st March 2011	31st March 2012	31st March 2013	31st March 2014	31st March 2015
Contributors	4,064	3,837	3,782	3,963	4,024
Deferred	5,217	5,409	5,546	5,785	5,957
Pensioners & Dependents	4,174	4,265	4,379	4,269	4,288
Total Membership	13,455	13,511	13,707	14,017	14,269

Communication policy statement

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement. This statement sets out the methods used by the Fund to communicate with the various stakeholders, including scheme members, employers and their representatives.

The Fund's Communication policy statement can be found at the following link:

http://www.lbhf.gov.uk/Images/Pension%20Fund%20Communication%20Policy%20Statement_tcm21-184905.pdf

Sources of information

Further information about the benefits payable from the Pension Fund can be found on the national Local Government Pension Scheme website www.lgps.org.uk . For further information about the administration of the scheme in Hammersmith and Fulham, visit the administrator's LGPS website www.mylgpspension.co.uk

Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, an Internal Disputes Resolution Procedure has been established. If an issue cannot be resolved informally, a stage 1 appeal may be made to Sarah Milson, Head of Pensions at Capita Employee Benefits using the email address: lbhf.pensions@capita.co.uk and thereafter, if necessary a further appeal may be made to Debbie Morris, Bi-borough Director of HR for Hammersmith & Fulham and Kensington and Chelsea.

If the problem remains unresolved, members then have the right to refer the matter to The Pensions Advisory Service (TPAS) which has a network of pension advisers who will try to resolve problems before they are referred on to the Pensions Ombudsman. However, the TPAS service may be invoked at any stage of the appeal process. Both TPAS and the Pensions Ombudsman can be contacted at:
11 Belgrave Road
London
SW1V 1RB

Additional Voluntary Contributions

The Fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts, but are recorded in a disclosure note.

4. Actuarial Information

Summary of the last triennial valuation

The Fund is required to arrange for an actuary to conduct an actuarial valuation of the Fund's assets and liabilities once every three years. This enables the employer contribution rates to be set for the coming three years. The last triennial valuation of the Fund was undertaken as at 31st March 2013.

The results of the valuation in 2013 are shown in the table below:

Value of Assets	£716m
Liabilities	(£863m)
Deficit	(£147m)
Funding Level	83%
Future Service Contribution Rate	13.6%
Past Service Recovery Contribution Rate	8.3%
Total Employer Contribution Rate	21.9%

These results show that the Fund had assets sufficient to meet 83% of the liabilities at the time of the last valuation. The actuary set an employer contribution rate of 13.6% of payroll to meet the cost of service built up in the Fund in future. An additional contribution of 8.3% of payroll was set to recover the deficit over a 22 year period. Individual employers pay adjusted rates to reflect the circumstances of their own membership.

Funding Strategy Statement

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare a funding strategy statement which sets out how the Fund will manage its liabilities and return to full funding. The strategy is considered by the Fund Actuary when undertaking the triennial valuation and setting the employer contribution rates. The statement is reviewed every three years in conjunction with the actuarial valuation.

The Fund's published statement can be found by following this link:

http://www.lbhf.gov.uk/Images/Funding%20Strategy%20Statement%202014_tcm21-187570.pdf

On the following page is a statement from the Fund Actuary about changes since the valuation in 2013.

Fund Actuary's Statement

Introduction

The last full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund ("the Fund") was carried out as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014. This statement gives an update on the funding position as at 31 March 2015 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2015 is based on market movements since the previous valuation rather than being a full valuation with updated member data.

2013 Valuation

The results for the Fund at 31 March 2013 were as follows:

- The Fund as a whole had a funding level of 83% i.e. the assets were 83% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £148m which is lower than the deficit at the previous valuation in 2010.
- To cover the cost of new benefits and to also pay off the deficit over a period of 22 years, a total contribution rate of 21.9% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their share of the deficit.

Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2015 are summarised below:

Assumption	31 March 2013	31 March 2015
Discount rate	6.0% p.a.	5.4% p.a.
Pension increases	2.7% p.a.	2.5% p.a.
Salary increases	2.7% until 31 March 2015 then 4.5% p.a.	4.3% p.a.
Mortality	S1PA* tables with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum.	

*S1PA is the name of the mortality tables published by the actuarial profession

Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable on an unreduced basis
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

The effect of the change in the assumptions over the year is discussed in the final section.

Assets

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date so the asset values are also measured in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

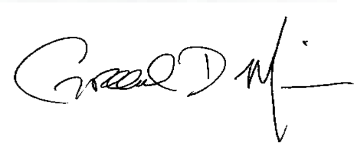
At 31 March 2013, the value of the assets used was £716m and this has increased over the period to an estimated £869m.

Updated position

The estimated funding position at 31 March 2015 is a funding level of 87% which is an improvement on the position at 31 March 2013.

The assets have achieved a return of 21% over the period, which is higher than expected at the 2013 valuation. Payment of deficit contributions during the period in line with agreed contribution schedules has improved the position. Changes in the assumptions and further accrual of benefits have however increased the value of the liabilities.

The next formal valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.



Graeme D Muir FFA
Partner, Barnett Waddingham LLP

5. Pension Fund Accounts

This section sets out the full audited financial statements of the London Borough of Hammersmith and Fulham Pension Fund for the year ended 31st March 2015.

The Council's Responsibilities
The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director for Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- Approve the Statement of Accounts.

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

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

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Director for Finance
I certify that the Accounts present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2015 and income and expenditure for the year for the financial year 2014/15.

Hitesh Jolapara, Director for Finance

Fund Account

	Note	2014/15		2013/14	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	6	21,944		22,692	
From Members	6	6,658	28,602	6,306	28,998
Individual Transfers In from other Pension Funds			1,445		3,324
Other Income			35		34
Benefits					
Pensions	7	(28,155)		(26,887)	
Commutation and Lump Sum Retirement Benefits	7	(4,955)	(33,110)	(4,882)	(31,769)
Payments to and on account of leavers					
Individual Transfers Out to other Pension Funds			(856)		(3,325)
Refunds to members leaving service			(16)		0
Net Additions (Withdrawals) from dealings with members			**(3,900)**		**(2,738)**
Management expenses	8		**(7,216)**		**(5,548)**
Returns on Investments					
Investment Income	9		11,422		9,680
Taxes on Income (Irrecoverable Withholding Tax)			(255)		(170)
Profit and losses on disposal of investments and changes in value of investments					
Realised	11		65,392		33,428
Unrealised	11		40,203		4,091
Net Returns on Investments			**116,762**		**47,029**
Net Increase (Decrease) in the net assets available for benefits during the year			**105,646**		**38,743**
Opening Net Assets of the Scheme			**762,829**		**724,086**
Closing Net Assets of the Scheme			**868,475**		**762,829**

Net Asset Statement as at 31st March 2015

	Note	31 March 2015 £000	31 March 2014 £000
Investment Assets			
Index Linked Securities	14	31,923	26,286
Equities	14	371,885	320,772
Pooled Investment Vehicles	14	443,015	399,886
Commodities	14	2,540	1,890
Derivative contracts - forward foreign exchange	14	16	260
Cash Deposits	14	15,410	17,027
Other Investment Balances			
Amounts Outstanding on Sale of Investments	14	585	542
Investment Income Due	14	1,018	752
Investment Liabilities			
Derivative contracts - forward foreign exchange	14	(725)	(96)
Amounts Outstanding on Purchase of Investments	14	(886)	(2,425)
Net Investment Assets	14	**864,781**	**764,894**
Current Assets	20	354	278
Current Liabilities	21	(1,146)	(995)
Cash Balances		4,486	(1,348)
Net assets of the Fund available to fund benefits at the period end.		**868,475**	**762,829**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 19.

Notes to the Pension Fund Accounts

Note 1: Description of Hammersmith and Fulham Pension Fund

a) General

The Pension Fund (the "Fund") is part of the Local Government Pension Scheme and is administered by Hammersmith and Fulham Council. It is a contributory defined benefit scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average re-valued earnings and the number of years of eligible service. The benefits payable in respect of service prior to 1st April 2014 are based on an employee’s final salary and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

From 1st April 2014, the Local Government Pension Scheme Regulations 2013 were effective, changing the scheme from a final salary scheme to a career average re-valued earnings based scheme. All benefits payable on service from 1st April 2014 onwards are based on the average of each year of salary re-valued in line with the Consumer Price Index.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund’s investments. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuation, as detailed in Note 18.

b) Pensions Sub-committee

The Council has delegated the investment arrangements of the scheme to the Audit, Pensions and Standards Committee, who in December 2014 formed a Pensions Sub-committee and delegated all pensions responsibilities to it. The Sub-committee decide on the investment strategy most suitable to meet the liabilities of the Fund and have the responsibility for the investment strategy. The Sub-committee is made up of five elected representatives of the Council, including two opposition party representatives, each having voting rights. Members of the admitted bodies and representatives of the Trade Unions may attend the Sub-committee meetings but have no voting rights.

The Sub-committee reports annually to the Audit, Pensions and Standards Committee and has full delegated authority to make investment decisions. The Sub-committee obtains and considers advice from the Director of Finance, and as necessary from the Fund's appointed actuary, investment managers and advisor.

c) Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare and review from time to time a written statement recording the investment strategy of their Pension Fund. The Statement of Investment Principles was last approved on 17th March 2015 and this is available on the Council's website at the link below. The Statement shows the Authority's compliance with the Myner's principles of investment management.

http://www.lbhf.gov.uk/Images/Statement%20of%20Investment%20Principles%202015_tcm21-174597.pdf

The Sub-committee has delegated the management of the Fund's investments to professional investment managers (see note 10), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

d) Membership

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

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

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies and private contractors undertaking a local authority function following outsourcing to the private sector.

The following table is a membership summary of the scheme:

	31 March 2015	31 March 2014
Contributing employees	4,024	3,963
Pensioners receiving benefit	4,288	4,269
Deferred Pensioners	5,957	5,785

Details of the scheduled and admitted bodies are on pages 18-19.

e) Shared Service Working

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have shared services to provide a more efficient service and greater resilience. This includes the treasury and pension teams of the three boroughs.

The combined Pensions team was formed in February 2012 and is responsible for the management of the pension fund investments across the three boroughs. The team is based at Westminster's offices.

The Pension Funds continue to be managed separately in accordance with Government Regulations and the investment strategies agreed by the home boroughs who continue to have sovereignty over decision making.

Note 2: Basis of preparation of financial statements

The Statement of Accounts summarises the Fund's transactions for 2014/15 and its position at year-end as at 31st March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy ("CIPFA") which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset statement, in the notes to the accounts or by appending an actuarial report, prepared for this purpose. The authority has opted to disclose this information in an accompanying report to the accounts which is discussed in Note 19.

Note 3: Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

All contributions, both from the members and from the employers, are accounted for on an accruals basis.

b) Transfers to and from other schemes

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

c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend. Interest income is accrued on a daily basis. Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

Fund Account – Expense Items

d) Benefits Payable

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

e) Taxation

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

f) Management expenses

The Code does not require a breakdown of management expenses, however disclosure of expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management costs" is provided in the interests of greater transparency.

All expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are accounted for in the fund account. Staff costs associated with the running of the Fund are charged to the Fund along with an element of overhead charges.

The Sub-committee has appointed external investment managers to manage the investments of the Fund. These managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

Net Assets Statement

g) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted Securities and Pooled Investment Vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by Northern Trust, the Fund's custodian and Pooled Investment Vehicles at the published bid prices or those quoted by their managers.

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

There are no significant restrictions affecting the ability of the scheme to realise its investments at the accounting date or at the value at which they are included in the accounts apart from the investments in private equity and the investment in the Partners Multi Asset Credit fund which, by their nature, will be realised over a long period of time.

h) Derivatives

The only derivatives held by the Fund are forward foreign exchange contracts for the purpose of managing currency risk. The value of forward foreign exchange contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the contract were matched at the year end with an equal and opposite contract.

i) Foreign Currency Transactions

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

j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions.

k) Financial Liabilities

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

l) Actuarial Present Value of Promised Retirement Benefits

The CIPFA Code of Practice on Local Authority Accounting sets out that the actuarial present value of promised retirement benefits should be disclosed and based on the requirements of

IAS19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a report from the Actuary by way of disclosing the actuarial present value of retirement benefits. This report is published with these accounts and summarised in Note 19.

m) Additional Voluntary Contributions

Members of the Fund may choose to make additional voluntary contributions (AVCs) into a separate scheme run by Zurich Assurance in order to obtain additional pensions benefits. The company is responsible for providing the investors with an annual statement showing their holding and movements in the year. AVCs are not included within the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. They are disclosed in Note 22. There are also some residual policies with Equitable Life, which are disclosed in Note 22, but it is not open for new members.

n) Recharges from the General Fund

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 8.

Note 4: Critical Judgements in applying accounting policies

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are on the basis of best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

The items for which there is a significant risk of material adjustment are:

a) Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in the accompanying actuarial report. The estimates of the net liability to pay pensions depends on a number of judgements and assumptions. In particular are those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets.

The effect of changes in individual assumptions can be measured. A 0.5% increase in the discount rate would result in a decrease in the pension liability of £121.7m. A 0.2% increase in the pay inflation assumption would increase the value of liabilities by £6.3m, and a one-year increase in assumed life expectancy would increase liabilities by £49.5m.

b) Unquoted private equity investments

The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. The value of private equity investments at the balance sheet date was £9.87m.

The fair value of the Partners multi credit asset fund is also to some extent subjective. A number of the underlying assets are traded in private markets only and therefore judgements need to be made about value, using factors such as the enterprise value and net debt. The value in the net assets statement is £37.5m - the value of the commitment made in February 2015.

Note 5: Events after the Balance Sheet

During April and May 2015 the Fund implemented a number of changes to the investment strategy. The £80m in the Legal & General Sterling Liquidity Fund was withdrawn, along with £101m of the monies held in the Legal & General LDI Bespoke Fund. £40m was invested in Standard Life's Long Lease Property Fund, a further £12.5m with Partners Group, £50m in Oak Hill Advisers Diversified Credit Strategies Fund, and £78.5m in M&G Inflation Opportunities Fund V.

Note 6: Contributions receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees' contributions.

	Employers' Contributions				Employees'	
	Normal		Deficit Recovery		Contributions	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000	£000	£000
Administering Authority	9,525	9,814	8,101	9,080	5,120	5,026
Scheduled Bodies	1,114	782	590	561	539	395
Admitted Bodies	2,561	2,127	53	328	999	885
Grand Totals	**13,200**	**12,723**	**8,744**	**9,969**	**6,658**	**6,306**

Note 7: Benefits Payable

The table below shows a breakdown of the total amount of benefits payable.

	Pensions		Lump Sum Retirement Benefits		Lump Sum Death Benefits	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000	£000	£000
Administering Authority	(27,344)	(26,101)	(3,885)	(3,984)	(295)	(443)
Scheduled Bodies	(81)	(83)	(100)	(33)	0	0
Admitted Bodies	(730)	(703)	(480)	(403)	(195)	(19)
Grand Totals	**(28,155)**	**(26,887)**	**(4,465)**	**(4,420)**	**(490)**	**(462)**

Note 8: Management Expenses

The table below shows a breakdown of the management expenses incurred during the year.

	2014/15	2013/14
	£000	£000
Administrative costs	(471)	(496)
Investment management expenses	(6,434)	(4,822)
Oversight and governance costs	(311	(230)
	(7,216)	**(5,548)**

Investment management expenses are higher in 2014/15 due to full implementation of accounting for fees initially charged through pooled funds and transaction costs as investment management expenses. The 2014/15 investment management expense figure includes performance fees of £1,687k (£1,550k in 2013/14) and transaction costs of £432k (no costs accounted for in 2013/14).

Note 9: Investment Income

The table below shows a breakdown of the investment income for the year.

	2014/15	2013/14
	£000	£000
Equity dividends	11,001	9,393
Income from Index-Linked Securities	248	226
Interest on Cash Deposits	63	34
Private Equity/Other	110	27
Total	**11,422**	**9,680**

Note 10: Investment Strategy

During the majority of 2014/15, the investment strategy of the Fund consisted of having four main portfolios, UK Equity, Global (ex UK) Equity, Dynamic Asset Allocation and a Matching Fund (to match some of the Fund’s liabilities). The investment strategy was designed to give asset diversification and specialisation to reduce exposure to market risk and achieve optimum return.

Within the four portfolios, external investment managers have been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager. The UK Equity portfolio was managed by Majedie Asset Management, the Global (ex UK) portfolio by MFS International (UK) Ltd, the Dynamic Asset Allocation portfolio was split between Baring Asset Management Ltd and Ruffer LLP and the Matching Fund was split between Goldman Sachs Asset Management and Legal and

General Investment Management. In August 2014 the Fund exited from the Barings investment and the proceeds were transferred to a liquidity fund with Legal and General Investment Management pending further decisions.

In February 2015 an investment was made in Partners Group Multi Asset Credit Fund utilising some of the cash proceeds. Further changes to the investment strategy were agreed by the Sub-committee and set out in the revised Statement of Investment Principles agreed in March 2015. These changes were implemented in April and May 2015, as described in Note 5 Events after the Balance Sheet.

Additionally, the Sub-committee agreed some time ago to invest in four private equity fund of funds. Two are managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two are managed by Unigestion which are invested almost entirely in Europe. All these funds are now in the distributing phase.

The market value and proportion of the investments managed by each fund manager at 31st March is as follows:

	31 March 2015		31 March 2014	
	Market Value £000	**Total %**	**Market Value £000**	**Total %**
Majedie Asset Management	226,483	26.2	207,054	27.1
MFS International (UK) Ltd	222,849	25.8	182,013	23.8
Baring Asset Management Ltd	0	0.0	125,250	16.4
Ruffer LLP	91,159	10.5	81,302	10.6
Goldman Sachs Asset Management	64,126	7.4	65,248	8.5
Legal and General Investment Mngt LDI	132,187	15.3	92,585	12.1
Legal and General Investment Mngt Liquidity	80,036	9.3	0	0.0
Partners Group	37,600	4.3	0	0.0
Invesco Private Equity	6,251	0.7	6,221	0.8
Unigestion Private Equity	4,090	0.5	5,221	0.7
	864,781	**100.0**	**764,894**	**100.0**

The Sub-committee has appointed Northern Trust as global custodian for the Fund. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions. Northern Trust has an issuer credit rating of AA- with both Fitch and S&P ratings agencies and A1 with Moody's. The bank account for the Pension Fund has been held with Nat West since December 2014, previously it was also with Northern Trust.

Note 11: Reconciliation of movement in investments

The table below shows a reconciliation of the movement in the total investment assets of the Fund by fund manager during 2014/15.

	Value at 1 April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	**Value at 31 March 2015**
Fund Manager	£000	£000	£000	£000	£000
Majedie Asset Management	207,701	61,217	(53,425)	13,356	223,849
MFS International (UK) Ltd	180,084	68,197	(65,378)	37,836	220,739
Baring Asset Management	125,250	62	(129,091)	3,779	0
Ruffer LLP	71,965	234,850	(235,285)	8,815	80,345
Goldman Sachs Asset Management	65,230	0	(16)	(1,088)	64,126
Legal & General Inv Mngt LDI	92,584	0	0	39,601	132,185
Legal & General Inv Mngt Liquidity Fund	0	120,675	(40,940)	301	80,036
Partners Group	0	37,500	(379)	379	37,500
Invesco Private Equity	6,024	0	(2,496)	2,270	5,798
Unigestion Private Equity	5,160	240	(1,672)	348	4,076
Sub-total	**748,998**	**522,741**	**(528,682)**	**105,597**	**848,654**
Cash Deposits	17,027			5	**15,410**
<u>Other Investment Balances</u>					
Investment Income due	752			0	**1,018**
Pending trade purchases	(2,425)			(8)	**(886)**
Pending trade sales	542			1	**585**
Totals	**764,894**	**522,741**	**(528,682)**	**105,595**	**864,781**

Transaction costs for 2014/15 have been accounted for as investment management expenses (disclosed in Note 8) for the first time.

The equivalent analysis for 2013/14 is provided below:

Fund Manager	**Value at 1 April 2013** £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	**Value at 31 March 2014** £000
Majedie Asset Management	169,017	55,759	(55,301)	33,226	202,701
MFS International (UK) Ltd	169,995	55,855	(53,374)	7,608	180,084
Baring Asset Management	123,116	123	(560)	2,571	125,250
Ruffer LLP	72,406	29,464	(29,932)	27	71,965
Goldman Sachs Asset Management	62,916	0	(15)	2,329	65,230
Legal & General Investment Management	101,396	0	0	(8,812)	92,584
Invesco Private Equity	6,714	43	(1,084)	351	6,024
Unigestion Private Equity	5,973	325	(1,232)	94	5,160
Sub-total	**711,533**	**141,569**	**(141,498)**	**37,394**	**748,998**
Cash Deposits	12,909			(35)	**17,027**
Other Investment Balances					
Investment Income due	760			155	**752**
Pending trade purchases	(750)			7	**(2,425)**
Pending trade sales	1,223			(2)	**542**
TOTAL	**725,675**	**141,569**	**(141,498)**	**37,519**	**764,894**

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £486,770. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Note 12: Investments exceeding 5% of net assets

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

	2014/15 £000	2014/15 %	2013/14 £000	2013/14 %
Legal & General LDI Bespoke Fund	132,185	15.2	92,584	12.1
Legal & General Sterling Liquidity Fund	80,036	9.2	0	0.0
Majedie UK Focus Fund	78,309	9.0	68,030	8.9
Goldman Sachs Libor plus 1 Fund	64,126	7.4	65,230	8.6
Baring Dynamic Asset Allocation Fund	0	0.0	125,250	16.4

Note 13: Analysis of derivatives

The Pension Fund investment managers use forward foreign exchange contracts to reduce currency risk when undertaking investment transactions in foreign currencies. This is in line with their investment management agreements with the Fund. The Fund held no other types of derivative at 31 March 2015 or 31 March 2014.

Settlement	**Currency bought**	**Local value 000**	**Currency sold**	**Local value 000**	**Asset value £000**	**Liability value £000**
Up to one month	HKD	6,636	USD	(856)	1	(1)
Up to one month	GBP	470	USD	(700)		(1)
Up to one month	GBP	74	USD	(110)		0
Up to one month	HKD	864	GBP	(75)		0
Up to one month	HKD	2,347	USD	(303)	1	(1)
Up to one month	HKD	173	GBP	(15)		0
Up to one month	JPY	365,700	GBP	(2,055)		0
Up to one month	JPY	834,700	GBP	(4,712)		(22)
Up to one month	JPY	634,930	GBP	(3,603)		(36)
Up to one month	GBP	1,063	JPY	(192,240)		(17)
Up to one month	GBP	536	JPY	(98,740)		(19)
Up to one month	GBP	431	JPY	(78,770)		(12)
Up to one month	GBP	10,724	JPY	(1,916,500)		(45)
One to three months	GBP	22,567	USD	(34,280)		(532)
One to three months	USD	1,300	GBP	(862)	14	
One to three months	USD	3,020	GBP	(2,043)		(8)
One to three months	GBP	4,389	EUR	(6,100)		(31)
					16	(725)
Net forward foreign exchange contracts at 31 March 2015						**(709)**
Open forward foreign exchange contracts at 31 March 2014					260	(96)
Net forward foreign exchange contracts at 31 March 2014						**164**

Page 104

Note 14a: Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. All investments are quoted unless stated.

	31st March 2015			31st March 2014		
	Designated at fair value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost	Designated at fair value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS						
Index Linked Securities						
UK Public Sector	16,685			13,889		
Overseas Public Sector	15,238			12,397		
Equities						
UK	101,250			97,204		
North America	150,909			119,409		
Japan	14,856			11,672		
Europe (ex UK)	77,004			69,062		
Pacific Basin	6,472			11,258		
Other	21,394			12,167		
Pooled Investment Vehicles						
UK Equity Funds	105,563			95,598		
LDI Bespoke Funds	132,185			92,584		
Absolute Return Bond Funds	64,126			65,230		
Absolute Return Funds	0			125,250		
Multi Asset Credit Fund (unquoted)	37,500			0		
Sterling Liquidity Funds	80,036			0		
Private Equity (unquoted)	9,874			11,184		
Other Managed Funds	13,731			10,040		

	31st March 2015			31st March 2014		
	Designated at fair value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost	Designated at fair value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS cont'd						
Commodities	2,540			1,890		
Derivative contracts – forward foreign exchange	16			260		
Other Investment Balances	1,603			1,294		
Cash deposits with managers		15,410			17,027	
Debtors		354			278	
Cash Balances		4,486				
	850,982	20,250	0	750,388	17,305	0
FINANCIAL LIABILITIES						
Derivative contracts – forward foreign exchange	(725)			(96)		
Other Investment Balances	(886)			(2,425)		
Creditors			(1,146)			(995)
Cash Balances						(1,348)
	(1,611)	0	(1,146)	(2,521)		(2,343)
Grand Totals	**849,371**	**20,250**	**(1,146)**	**747,867**	**17,305**	**(2,343)**
			868,475			**762,829**

The carrying value is the same as the fair value for all financial instruments held by the Fund.

Note 14b: Net gains and losses on Financial Instruments

This table summarises the net gains and losses on financial instruments classified by type of instrument.

	2014/15 £000	2013/14 £000
Financial Assets		
Designated at fair value through Profit and Loss	107,050	38,792
Loans and Receivables	5	(35)
Financial Liabilities		
Designated at fair value through Profit and Loss	(1,460)	(1,238)
Financial Liabilities at Amortised Cost	0	0
Total	**105,595**	**37,519**

Note 14c: Valuation of Financial Instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below and the table showing the analysis is overleaf.

Level 1 – Quoted market price

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

Level 2 – Using observable inputs

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

Level 3 – With significant unobservable inputs

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

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The multi credit asset fund is closed ended and therefore not tradeable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

Note 14c: Valuation of Financial Instruments carried at fair value (cont'd)

	31st March 2015			31st March 2014		
	Quoted Market Price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Quoted Market Price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3
	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS						
Financial assets at fair value through profit and loss	667,694	132,202	51,085	516,922	218,095	15,371
Loans and Receivables	20,251	0	0	17,305	0	0
Total Financial Assets	**687,945**	**132,202**	**51,085**	**534,227**	**218,095**	**15,371**
FINANCIAL LIABILITIES						
Financial liabilities at fair value through profit and loss	(886)	(725)	0	(2,425)	(96)	0
Financial liabilities at amortised cost	(1,146)	0	0	(2,343)	0	0
Total Financial Liabilities	**(2,032)**	**(725)**	**0**	**(4,768)**	**(96)**	**0**
NET FINANCIAL ASSETS	**685,913**	**131,477**	**51,085**	**529,459**	**217,999**	**15,371**
			868,475			**762,829**

Page 107

Note 15: Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund’s liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields.

For this reason, the benchmark used during 2014/15 measured the estimated movement in liabilities. The "Liability Benchmark" is calculated based on the movement of a selection of index-linked gilts, which most closely match the Fund's liabilities as measured at the actuarial valuation, in the following proportions: 45% Index-Linked Treasury Gilt 1 1/4% 2017, 20% Index-Linked Treasury Gilt 1 1/4% 2027, 10% Index-Linked Treasury Gilt 1 1/8% 2037, 5% Index-Linked Treasury Gilt 0 3/4% 2047 and 20% Index-Linked Treasury Gilt 1 1/4% 2055.

The Sub-committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

a) Market Risk

The investment strategy of the Fund has been set so as to meet a return equivalent to the Liability Benchmark plus 2.2% p.a. The investment strategy aims to exceed this and targets a return of 2.5% in excess of the Liability Benchmark. To achieve this, the Fund’s assets are invested in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above the Liability Benchmark over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. Responsibility for the Fund's investment strategy rests with the Pensions Sub-committee and is reviewed on a regular basis.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund’s investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets with the exception of cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10% higher or 10% lower.

Assets exposed to price risk	Value	+ 10%	-10%
	£000	£000	£000
At 31st March 2015	849,361	934,298	764,425
At 31st March 2014	748,833	823,716	673,950

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Index linked gilts, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk	Value	+ 1%	-1%
	£000	£000	£000
At 31st March 2015	365,666	369,323	362,010
At 31st March 2014	246,910	249,379	244,441

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non sterling transactions. This reduces the overall currency risk the Fund is exposed to.

Overseas equities, overseas index linked securities, cash in foreign currencies, the value of the forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if currencies had been 10% higher or 10% lower.

<u>Assets exposed to currency risk</u>

	Value	+ 10%	-10%
	£000	£000	£000
At 31st March 2015	353,251	388,577	317,926
At 31st March 2014	379,706	417,677	341,736

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs; and also cash to meet investment commitments. The Fund has immediate access to it's cash holdings.

The only assets in the Fund which cannot be liquidated within a month are the private equity assets which amounted to £9.87m at 31st March 2015 (£11.18m at 31st March 2014) and the Multi Credit Asset investment of £37.5m with Partners Group. The majority of the remaining investments can liquidated within a matter of days.

Note 16: Contingent Liabilities and Contractual Commitments

The Fund had the following commitments at the balance sheet date:

	31st March 2015 £000	31st March 2014 £000
Invesco Partnership Fund V L.P.	1,173	1,045
Unicapital Investments V	42	255
Partners Group Multi Asset Credit Fund 2014	12,500	0
Standard Life Long Lease Property Fund	40,000	0
	53,715	**1,300**

The commitments to Partners Group and Standard Life are due to be paid in April and May 2015 respectively. The outstanding commitments for Invesco and Unicapital are expected to be paid over the next two years.

Note 17: Stock Lending Agreements

The Fund did not participate in stock lending or underwriting.

Note 18: Funding Arrangements

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

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 28th March 2014 and this is available on the Council's website at the link below. This valuation set the employer contribution rates from 1st April 2014.

http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp#0

The 2013 valuation certified a common contribution rate of 21.9% of pensionable pay to be paid by each employing body participating in the Fund, based on a funding level of 83%. In addition, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £716m and the actuary assessed the present value of the funded obligation at £863m indicating a net liability of £147m.

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

i. The rate of accumulation of income and capital on new investments over the long-term and the increase from time to time of income from existing investments.

ii. Future rises in pensionable pay due to inflation and pension increases.

iii. Withdrawals from membership due to mortality, ill health and ordinary retirement.

iv. Progression of pensionable pay due to promotion.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

The next actuarial valuation of the Fund will be as at 31st March 2016 and will be published in 2017.

Note 19: Actuarial Present Value of Promised Benefits

The table below shows the total net liability of the Fund as at 31st March 2015. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers the actuary adopted methods and assumptions that are consistent with IAS19.

	31st March 2015 £000	31st March 2014 £000
Present Value of Promised Retirement Benefits*	1,409,558	1,171,751
Fair Value of Scheme Assets (bid value)	(868,475)	(762,829)
Net Liability	**541,083**	**408,922**

*Present Value of Promised Retirement Benefits comprises of £1,271,900,000 (£1,124,662,000 in 2013/2014) and £137,658,000 (£47,089,000 in 2013/2014) in respect of vested benefits and non-vested benefits respectively as at 31 March 2015.

As permitted under IAS26 Accounting and Reporting by Retirement Benefit Plans, the above table is a summary of the actuary's report and the full report is published alongside the financial statements.

Note 20: Current Assets

	31st March 2015	31st March 2014
Debtors	**£000**	**£000**
Contributions due - employers	195	181
Contributions due - employees	71	63
London Borough of Hammersmith and Fulham	88	0
Sundry debtors	0	34
	354	**278**

	31st March 2015	31st March 2014
Analysis of debtors	**£000**	**£000**
Local authorities	88	34
Central government bodies	0	0
Other entities and individuals	266	244
	354	**278**

Note 21: Current Liabilities

	31st March 2015	31st March 2014
Creditors	**£000**	**£000**
Unpaid Benefits	(8)	(277)
Investment Management Expenses	(796)	(718)
HM Revenue and Customs	(342)	0
	(1,146)	**(995)**

	31st March 2015	31st March 2014
Analysis of creditors	**£000**	**£000**
Local authorities	0	0
Central government bodies	(342)	0
Other entities and individuals	(804)	(995)
	(1,146)	**(995)**

Note 22: Additional Voluntary Contributions

The Fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

	2014/15	2013/14
Zurich Assurance		
Market Value at 31st March	£1,117,844	£1,033,490
Contributions during the year	£36,590	£42,869
Number of members at 31st March	50	63
Equitable Life Assurance		
Market Value at 31st March	£187,842	£223,020
Contributions during the year	£66	£66
Number of members at 31st March	32	34

In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

Note 23: Related Parties

London Borough of Hammersmith and Fulham

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £428,198 in 2014/15 (£506,238 in 2013/14) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses.

In the year the Council contributed £17,626k in employer contributions to the Fund (2013/14 £18,894k).

During 2014/2015 as a result of the day to day administration of the Fund the Pension Fund borrowed monies from the Council or invested some surplus monies with the Council. The Pension Fund paid £764 in interest to the Council during 2014/2015 (paid £346 in 2013/14). At 31st March 2015 the Council owed the Pension Fund £88,399 (£560,110 at 31st March 2014).

Governance Arrangements

One member of the Pensions Sub-committee is a deferred member of the Hammersmith and Fulham Pension Fund. Members of the Sub-committee are required to make a declaration of interests at the beginning of each meeting.

Key management personnel

The Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2) – (4) of The Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of IAS24. This applies in equal measure to the accounts of the Hammersmith and Fulham Pension Fund.

The disclosures required by Regulation 7 (2) – (4) of The Accounts and Audit (England) Regulations can be found in the main accounts of the London Borough of Hammersmith and Fulham.

Independent auditor's report to the members of Hammersmith and Fulham Pension Fund on the pension fund financial statements published with the Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2015 on pages 26 to 53.

Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of the Section 151 Officer'*s* Responsibilities the Section 151 Officer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Repor*t* with the pension fund financial statements included in the annual published statement of accounts of the London Borough of Hammersmith and Fulham, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

Opinion

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

We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts *date TBC* and the date of this report.

Matters on which we are required to report by exception

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

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters

Andrew Sayers
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
XX September 2015

6. Contacts

Shared Service Pensions Team
c/o Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QE
Email: pensionfund@lbhf.gov.uk

Bi-borough Pensions Manager
c/o Royal Borough of Kensington and Chelsea
The Town Hall
Hornton Street
London
W8 7NX
Email: pensions@lbhf.gov.uk

Capita Employee Benefits
London Borough of Hammersmith and Fulham Team
PO Box 195
Mowden Hall
Darlington
DH1 9FS
Telephone: 020 8339 7051
Email: lbhf.pensions@capita.co.uk

National Local Government Pension Scheme information website
www.lgps.org.uk

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London SW1V 1RB
Telephone: 0845 601 2923
Email: www.pensionsadvisoryservice.org.uk/online-enquiry

The Office of the Pensions Ombudsman
11 Belgrave Road
London, SW1V 1RB
Telephone: 020 7630 2200
Email: enquiries@pensions-ombudsman.org.uk

7. Glossary

Active member: Current employee who is contributing to a pension scheme.

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

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

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

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

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

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

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

Dynamic Asset Allocation Portfolio: A portfolio that involves the movement of assets through different investment markets as market conditions change.

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

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

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

Indexed Linked Securities: Bonds on which the interest and ultimate capital repayment are recalculated on the basis of changes in the Retail Price Index.

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

Private Equity: Investments in companies not quoted on public stock exchanges. Commonly these are start up businesses (also known as venture capital) or buyouts of companies with a view to restructuring and selling on.

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

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

Unrealised Gains/Losses: The increase or decrease in the market value of investments held by the Fund since the date of their purchase.

	London Borough of Hammersmith & Fulham **PENSIONS SUB-COMMITTEE** **9th September 2015**
PENSIONS BOARD UPDATE	
Report of the Director for Finance	
Open Report	
Classification: For Information **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 Pensions Board has been established, membership confirmed and the first meeting held on 30th July 2015 ahead of the statutory deadline.

1.2. At the suggestion of the sub-committee at the last meeting in June 2015, a joint meeting of the sub-committee and the Board has been arranged for 16th September 2015. This will be a combination of training on legal background and relative roles, and a discussion about future work plans and training.

2. RECOMMENDATIONS

2.1. That the report and the date of the joint meeting of the Pensions Sub-committee and the Pensions Board is noted.

3. REASONS FOR DECISION

3.1. Not applicable.

4. INTRODUCTION AND BACKGROUND

4.1. The Public Service Pensions Act 2013 required that the Secretary of State responsible for the Local Government Pension Scheme set out regulations requiring the establishment of a Pensions Board to assist the scheme manager (i.e. the Council or the committees to which such responsibility has been delegated), to monitor and ensure compliance with the regulations and other legislation relating to the management of the Pension Fund.

4.2. The draft terms of reference for the Hammersmith and Fulham 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. Following the establishment of the Pensions Board in February 2015 work was undertaken to prepare the policies for the Board and to appoint Board members.

5.2. 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 were approved by the Director for Finance in consultation with the Chair of the Pensions Sub-committee, as required by the resolution agreed by Council in February. The training policy adopted is the Knowledge and Skills policy statement for the Pension Fund agreed by the Sub-committee at the 24th June 2015 meeting.

5.3. On 20th May 2015 Full Council appointed the councillor members of the Board to represent the Council. Scheme members and admitted and scheduled bodies were contacted to seek representatives of these groups to be members of the Board to serve alongside the councillor members. Following a selection process of scheme member representatives, the Board membership was confirmed, as shown below:

<u>Employer representatives</u>

Cllr Ali Hashem	Council representative
Cllr Rory Vaughan	Council representative
Richard Gregg, HR Manager, The Bridge Academy	Admitted & Scheduled Bodies representative

<u>Scheme member representatives</u>

Eric Kersey	Pensioner
Orin Miller	Pensioner
Neil Newton	Pensioner

5.4. The first meeting of the Board was held on 30th July 2015, just ahead of the statutory deadline of 31st July 2015. At that meeting Cllr Hashem was elected chair and Orin Miller vice chair. The meeting focused on introducing the Board to the terms of reference, the Board policies and the Pension Fund key documents.

5.5. Following the suggestion at the sub-committee meeting in June 2015 to hold a joint meeting of sub-committee and board members, a meeting has been arranged for 16th September 2015. This meeting will be a combination of training on the legal background of the Local Government Pension Scheme and the relative roles of the sub-committee and the board, as well as discussion about the knowledge and skills self-assessment form, plans for future training and workload plans for both bodies going forward. The aim will be to ensure that training is delivered jointly for members of both bodies and to avoid overlap of workloads as far as possible.

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
	None.		

LIST OF APPENDICES: None

London Borough of Hammersmith & Fulham	
PENSIONS SUB-COMMITTEE	
9th September 2015	
PENSION FUND UPDATE ON LONDON CIV	
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 London CIV is in the final stages of obtaining regulatory approval which is required before it can be operational and take investments. A further £25,000 contribution from the Pension Fund is required to fund the set up.

1.2. Separately to this and in order to comply with regulatory requirements, a capital sum of approximately £150,000 per London Borough needs to be paid into the CIV. This however will be share capital and therefore an investment rather than a cost.

2. RECOMMENDATIONS

2.1. That the sub-committee delegate authority to the Director for Finance in consultation with the Chair of Pensions Sub-committee, to invest sums required for regulatory capital to the London CIV to meet the requirements for Financial Conduct Authority authorisation. The anticipated level of investment is £150,000.

2.2. That the sub-committee agree to make a further contribution of £25,000 to the establishment of the London CIV.

3. REASONS FOR DECISION

3.1. It is a requirement of the Financial Conduct Authority for share capital to be held in the London CIV to enable it to operate and receive investments from London Borough Pension Funds.

3.2. The contribution to the establishment of the London CIV will enable it to progress to being operational and to deliver investment management fee savings.

4. INTRODUCTION AND BACKGROUND

4.1. On 7th April 2014 Cabinet agreed that Hammersmith and Fulham Council be a shareholder in the Authorised Contractual Scheme (ACS) Operator set up to run the London LGPS Collective Investment Vehicle (London CIV). It was also agreed that the Chair of the Audit, Pensions and Standards Committee be appointed to the Pensions Joint Committee of elected members responsible for overseeing the London CIV.

4.2. The London CIV has been created to enable London Borough Pension Funds to invest collectively to achieve savings on investment management fees whilst retaining local decision making power over the types of investment they place. Participation in the CIV remains voluntary and a decision for this committee, even though the Council is a shareholder.

4.3. Significant progress has been made to obtain Financial Conduct Authority (FCA) approval for the CIV with all relevant information having been submitted to the FCA. It is anticipated that approval will be obtained in autumn 2015. The required advisers have been appointed and recruitment to the senior posts is underway. The Pensions Joint Committee has met on four occasions to consider the various appointments and the progress being made.

4.4. The Pension Fund has already contributed £50,000 to the CIV to enable it to be set up and it is expected that a further £25,000 will be requested shortly.

5. PROPOSAL AND ISSUES

5.1. Once regulatory approval is obtained, (expected to be in Autumn 2015) there will be a requirement for regulatory capital to be paid into the CIV. This is effectively a reserve to protect investors from legal liability issues. This is expected to be in the region of £150k for each London Borough which is a shareholder in the CIV. Unlike the earlier payments to the CIV, this will not be a cost to the Fund, but share capital and will be recognised as an investment in the Pension Fund accounts.

5.2. In anticipation of obtaining regulatory approval, discussions have been taking place with the fund managers who have existing relationships with participating London Borough Pension Funds. These discussions are aiming to get fund managers to agree to fee reductions if their clients were to move their existing investments to the CIV as soon as this is possible.

Agreements with fund managers with multiple London Borough investors have been prioritised to achieve the maximum fee savings at launch.

5.3. Details of the fund managers (and their products) with whom agreements have been reached has not yet been made public, but it is not anticipated that any of Hammersmith and Fulham's current investments will be included in the first wave.

5.4. Further updates will be provided to the sub-committee as more information becomes available.

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 The regulatory capital of approximately £150,000 will be an investment in the London CIV and will be treated as such in the Pension Fund accounts.

10.2 The additional £25,000 contribution to the establishment of the London CIV will be charged to the Pension Fund, as was the case with the previous contributions.

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
	None.		

LIST OF APPENDICES: None

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

Agenda Item 10

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Agenda Item 11

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Agenda Item 12

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Agenda Item 13

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Document is Restricted

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted