London Borough of Hammersmith & Fulham

Pensions Board

Agenda

Wednesday 7 February 2018
7.00 pm
Committee Room 3 - Hammersmith Town Hall

MEMBERSHIP

Employer Representatives
Councillor Ali Hashem (Chair) Councillor Rory Vaughan
Scheme Member Representatives
Eric Kersey Orin Miller Neil Newton

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www.lbhf.gov.uk/councillors-and-democracy

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Date Issued: 30 January 2018

London Borough of Hammersmith & Fulham

Pensions Board
Agenda

7 February 2018

Item		**Pages**
1.	**MINUTES OF THE PREVIOUS MEETING**	1 - 3

To agree the minutes of the meeting held on 13 September 2017 as an accurate record and note any actions.

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.

At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.

Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.

Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Audit, Pensions and Standards Committee.

4. MINUTES OF THE PENSIONS SUB COMMITTEE 4 - 13

Minutes of the Pensions Sub Committee meetings held on 19 September and 21 November 2017.

London Borough of Hammersmith & Fulham

Pensions Board

Minutes

Wednesday 13 September 2017

PRESENT

Committee members: Councillor Rory Vaughan

Co-opted members: Eric Kersey and Neil Newton

Officers: Sue Hands, David Coates, and Amrita Gill.

1. MINUTES OF THE PREVIOUS MEETING

RESOLVED
That the minutes of the meeting held on 7 February 2017 were agreed as a correct record and were signed by the Chair.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Ali Hashem, Orin Miller, and Peter Worth.

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 MINUTES OF PENSIONS SUB-COMMITTEE

The Board noted the following recommendation under Item 9 from the minutes of Pensions Sub-Committee held on 15 March - Investment Strategy Review: That the Pensions Sub-Committee considered how they explained the balance between their fiduciary responsibilities and the desire to invest in socially responsible assets'.

Councillor Rory Vaughan asked for a copy of the Pensions Board minutes to be included in the Pensions Sub-Committee agenda for consideration. Amrita Gill said that the agenda had already been published, however would forward this recommendation to Councillor Iain Cassidy, Chair of the Pensions Sub-Committee for consideration at the next meeting. She added that for future Pensions Sub-Committee meetings she would include the minutes of the previous Pensions Board meeting in the agenda pack.

Action: Amrita Gill

RESOLVED
The minutes of the Pensions Sub-Committee were noted.

5 PENSIONS BUSINESS PLAN 2017/18

Sue Hands presented the report for the Pension Fund Business Plan 2017-2018 and noted that it was best practice for Council services to have business plans that set out objectives of the service. She added that it was equally important to ensure that there was as much standardisation and compliance as possible across the three Councils to ensure economies of scales and associated savings were delivered.

It was noted that there had been a high turnover of staff in the past year, however, the plan was to extend the department and that the successful recruitment of three new permanent members of staff, who would be starting over the coming months, would provide long term stability, and ensure adequate resources were available to the three funds to achieve the planned activities.

Councillor Vaughan asked if there was any reason for a high staff turnover. Sue Hands noted that it was due to staff moving on for personal and development reasons.

Sue Hands in reference to page 21 of the report, summarised the most recent valuation assessment of the funding levels and the latest membership numbers based upon information available as at 31 March 2017 and noted that funding levels varied across all three boroughs varied, however, the funds were heading in the right direction.

In response to a question David Coates noted that all three Boroughs were managed separately, in relation to shared services, however BT Shared Service work would be outsourced to Hampshire County Council, and that Hammersmith and Fulham were expected to transfer and go live in September 2018.

The pensions administrative service would continue to be managed by Surrey County Council (SCC), however the payrolls and pensions deductions from summary would be managed by Hampshire County Council.

RESOLVED
That the Pensions Board noted the Pension Fund Business Plan.

6 PENSION ADMINISTRATION UPDATE

David Coates tabled a paper (Appendix A) and provided an update of the performance of SCC pension administration services to 30 June 2017. 85% of helpdesk queries were handled without the need to refer to another colleague, this had exceeded the target of 80%. He also noted that all targets had been achieved for annual exercises and monthly pensioner payroll. Day to day work had a target of 100%, however projections requests from employees had a score of 58%. This would improve as the new system allowed employees to run their own projections. SCC were also processing monthly BT files for starters, changes, and leavers from April 2017 therefore the score for deferred benefits would also improve.

Members queried if a Pensions newsletter had been sent out in April 2017. David Coates said that he would follow this up and update the Board.

Action: David Coates

Councillor Rory Vaughan asked what measures were in place to determine SCC's quality assurance. David Coates informed the Board that regular monthly meetings had taken place with SCC to discuss figures and it was fair to say that these figures were accurate. Furthermore, there had been no complaints in terms of the services provided from SCC. He noted that a separate audit had also taken place and all requirements had been met.

David Coates, in reference to Appendix A provided an update on the inherited Capita backlog performance and noted that there were 157 cases that had not yet been brought into payment. This was because the former employee could not be traced, however tracing services were being introduced to identify individuals. Councillor Vaughan queried if this could be because individuals had forgotten/ lost their log in details, therefore were unable to access their Pensions statements. David Coates explained that Pensions statements had been emailed to individuals who had provided email addresses and a step-by-step guide on how to log on securely was sent to the home addresses of those without email addresses.

David Coates said that overall he was happy with how SCC had performed. The Board thanked David Coates for providing a report on the performance and acknowledged the good work and efforts made by SCC.

Meeting started: 7:00 pm
Meeting ended: 8:00pm

Chair ....

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London Borough of Hammersmith & Fulham

Pensions Sub-Committee

Minutes

Tuesday 19 September 2017

PRESENT

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

Officers: Sue Hands (Interim Finance Manager, Pensions), Peter Worth (Interim Director of Treasury and Pensions), and David Abbott (Scrutiny Manager)

Guests: Hugh Grover (CEO, LCIV), Jill Davis (LCIV), and Kevin Humperson (Deloitte)

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 20 June 2017 were approved and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor Guy Vincent.

Apologies for absence were received from Councillor Nicholas Botterill.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. LONDON CIV UPDATE

Hugh Grover, CEO of the London CIV, gave a presentation on the London CIV. He noted the CIV had been up and running since December 2015. Around 55 percent of H&F's assets were now in the CIV.

Councillor PJ Murphy asked how the London CIV's fees compared to other funds of a comparative size. Jill Davis said CEF benchmarking showed that fees for similar sized private sector funds were not that different. Private sector funds were structured differently though so it wasn't comparing like with like. The fees in public and private funds were structured very differently

– the public sector generally paid more to managers but running costs were lower.

Councillor PJ Murphy noted that infrastructure funds across London were relatively small – he asked if that was behind Government's drive to get LGPS funds to invest in infrastructure. Jill Davis said the Government were keen to get funds to allocate 10 percent to infrastructure but London's fund allocations tended to be a lot lower than that. Councillor Michael Adam said he would be interested to see updated figures because the picture was changing quickly with more funds were investing in infrastructure in the last few years.

Councillor Michael Adam asked if it was known how infrastructure would be dealt with – would there be co-investing from boroughs, direct investments, one national pool etc. Jill Davis said there was a cross-pool working group looking at options. Hugh Grover noted that infrastructure had originally been placed further downstream because it was important to get the bulk of asset under management quickly but now the CIV was hoping to bring that forward a little.

Hugh Grover noted that the LCIV Governance Review was ongoing and would report back in the Autumn through the Investment Advisory Committee and London Councils Leaders' Committee.

The Chair asked whether the CIV was making the fee savings they expected to. Hugh Grover said there would always be a balance between fees and returns - the CIV was focused on getting the best managers at the best price.

Councillor Michael Adam asked to see figures for H&F's overall management costs.

ACTION: Peter Worth

Councillor Guy Vincent asked, from a governance perspective, whether we were at risk of giving up control of the fund to the CIV but retaining responsibility if something went wrong. Hugh Grover said there was some element of risk there but the CIV had the resources to put together a fund management team that could constantly monitor the fund and take action as necessary. There was no guarentee that nothing would ever go wrong but they had far more resource and expertise than any single local authority could provide.

Councillor PJ Murphy if the 'investment management costs' chart on slide 30 could be made to be more representative of the actual picture. Hugh Grover said he would look into it.

The Chair asked if the Government was still expecting LGPS funds to ultimately move all of their assets into the CIV in the longer term. Hugh Grover said the Government had sent a strong message that they expected funds to pool.

5. <u>PENSION FUND ANNUAL REPORT</u>

Peter Worth presented the report – noting that the Audit, Pensions and Standards Committee were required to approve the annual Statement of Accounts for the Council by 30 September in accordance with the Accounts and Audit Regulations 2015 and - as part of this process - the Committee had delegated approval of the pension fund accounts to the Pensions Sub-Committee.

Councillor Michael Adam asked whether the management expenses figures on page 58 of the agenda included the full benefit of the Elgin mandate. Peter Worth said it only include three or four months. He added that the figures only included fees H&F were contractually liable for - so it didn't include the sub-funds.

Reporting of indirect costs was a key challenge – particularly with the CIV. Officers were working with the LGA and CIPFA to get this right.

Councillor Michael Adam asked if officers could provide annualised costs of fund management. Councillor PJ Murphy added that there was also the value for money question – were we paying reasonable fees. Officers said they would look at reporting for this information going forward.

Councillor PJ Murphy, referring to page 31 of the agenda, noted that H&F's investment performance was slightly under the LGPS average. He asked if that should concern the Sub-Committee. Kevin Humperson said that was almost certainly due to having a lower than average allocation in equities – the H&F fund was more diversified than average.

RESOLVED
That the Sub-committee approved the Pension Fund Annual Report for 2016/17.

6. MIFID II INVESTMENT REGULATION

Peter Worth presented the report that outlined the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (knows as MiFID II) – in particular the risk to the Council as a pension fund administering authority of becoming a retail client by 3 January 2018. The report recommended that the Sub Committee agree that elections for professional client status should be made on behalf of the Authority immediately.

Councillor Michael Adam asked if the Sub Committee had to be certified as well as pension fund officers. Peter Worth said they had to provide information on the membership and relevant training.

Councillor Michael Adam asked what happened if the fund was not compliant by the deadline. Kevin Humperson said the fund managers could face significant fines from the Financial Conduct Authority (FCA). Fund managers would have to disinvest the pension fund's money and give it back.

Councillor PJ Murphy asked if this compliance process added additional costs for the Council. Peter Worth said only in officer time – there were no additional fees associated with the process.

Councillor Michael Adam asked when H&F expected to be done with this process. Peter Worth said it should be completed in November.

Councillor Michael Adam asked officers to liase with our fund managers and keep the Sub Committee updated on this. Peter Worth said he would provide regular updates on this business critical process. An interim update would be provided within a month.

ACTION: Peter Worth

RESOLVED

1. That the Sub-Committee noted the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.
2. That the Sub-Committee agreed to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
3. That the Sub-Committee was aware that in electing for professional client status the Sub-Committee acknowledged and agreed to forgo the protections available to retail clients attached as Appendix 1 to the report.
4. That the Sub-Committee agreed to approve delegated responsibility to the Director of Pensions and Treasury for the purposes of completing the applications and determining the basis of the application as either full or single service.

7. INFRASTRUCTURE INVESTMENT PROPOSAL

Kevin Humperson presented the report. He noted that in June 2017 the fund was reported to be 6.9% overweight in equities and 7% underweight in secure income based on the existing investment allocation. Members had then agreed to hold a selection meeting at Deloitte's offices on 18 July. The Infrastructure Manager Selection meeting at Deloitte's offices saw presentations from 3 infrastructure managers: Standard Life Capital Partners, Aviva Investors and First State Investments. Members preferred the proposal from Aviva Investors because of the short drawdown timeframe, competitive fees and fit with the ethical and sustainable elements of the Investment Strategy Statement.

Kevin Humperson took the Sub-Committee through the proposed decisions. The first was to invest £30m in Ruffer to be used to fund capital calls for the Partners Group Infrastructure mandate. The Sub-Committee agreed the recommendation.

The second was to invest £30m to a new allocation to Aviva Investors Infrastructure Income Fund to bring the allocation to Secure Income more in line with the benchmark allocation. The Sub-Committee agreed the recommendation.

The third decision was on where to disinvest from equities – the paper recommended the majority come from the UK Focus Fund managed by Majedie. Councillor PJ Murphy noted that Madjedie had higher fees but asked what the performance difference was – was there a better return? Kevin Humperson said Madjedie had outperformed over the past 18 months - but the reason for doing this was because the fund was overweight in equities and the Sub-Committee had concerns about the general market. If there was a downturn both Madjedie and Elgin would suffer but Elgin had cheaper fees. Councillor Michael Adam noted that if there were market problems Elgin was a just passive index tracker but Madjedie could shift into defensive positions.

Councillor PJ Murphy asked what the best option was to protect the fund. Kevin Humperson said the default option was to follow benchmark which was Elgin. Peter Worth added that if the strategy was to de-risk – the fund should be moving out of U.K. equities. The Sub-Committee agreed the recommendation in the paper.

Councillor PJ Murphy asked if it was worth keeping just £18m in the Focus Fund – suggesting it could be put to better use as part of a larger allocation elsewhere. Councillor Michael Adam also questioned whether the fund needed three different infrastructure mandates. Kevin Humperson said he would come back with an exploratory paper addressing these issues.

ACTION: Kevin Humperson

RESOLVED

1. That the Sub-Committee agreed to disinvest £60m from the equity portfolio, in particular the UK Focus Fund managed by Majedie.
2. That the Sub-Committee agreed to invest £30m in Ruffer to be used to fund capital calls for the Partners Group Infrastructure mandate.
3. That the Sub-Committee agreed to invest £30m to a new allocation to Aviva Investors Infrastructure Income Fund to bring the allocation to Secure Income more in line with the benchmark allocation.
4. That the Sub-Committee agreed to update the Investment Strategy Statement to change the strategic benchmark within the equity portfolio to 67% LGIM, 33% Majedie (from 50/50).

8. QUARTERLY REVIEW PACK

Peter Worth presented the quarterly update report for the quarter that ended 30 June 2017.

Councillor Michael Adam asked for an up-to-date figue for the total value of the fund. Peter Worth said the fund value was around £1.015bn – with the increase largely driven by equities.

Councillor Michael Adam asked whether the infrastructure allocations were performing as expected. Peter Worth said it was difficult to monitor performance on the infrastructure fund at this early stage.

RESOLVED
That the Sub-Committee noted the report.

9. DATE OF THE NEXT MEETING

The next meeting was scheduled for 21 November 2017.

Meeting started: 7.00 pm
Meeting ended: 9.35 pm

Chair ....

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London Borough of Hammersmith & Fulham

Pensions Sub-Committee

Minutes

Tuesday 21 November 2017

PRESENT

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

Officers: Matthew Hopson (Strategic Finance Manager, Pensions), Peter Worth (Interim Director of Treasury and Pensions), and Amrita Gill (Assistant Committee Co-ordinator)

Guests: Alistair Sutherland and Kevin Humperson (Deloittes)

1. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 19 September 2017 were approved and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies of absence were received from Sue Hands (Interim Finance Manager, Pensions)

Apologies for lateness were received from Councillor PJ Murphy.

Apologies for lateness were received from Councillor Nicholas Botterill.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. DRAFT PENSIONS BOARD MINUTES

There were no declarations of interest.

5. QUARTERLY UPDATE

Peter Worth presented the quarterly update report for the quarter that ended 30 September 2017.

Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

Kevin Humperson, referring to page 17 of the agenda noted that over the quarter the total fund underperformed its fixed weight benchmark by 0.1% on a net of fees basis. This was largely as a result of the underperformance from Ruffer, as well as negative contributions from Insight and Partners Group Infrastructure. Over the 12-month period, the fund delivered a net return of 8.4%, outperforming the benchmark by 0.1%. The fund remained ahead of the benchmark over the three and five-year periods and was performing as we had expected.

Standard Life Aberdeen had announced their new management team of their joint real estate business. This had no impact on the property funds, however property transactions were now logged and agreed through a Committee under the new regime.

Peter Worth, referring to appendix 3 of the agenda, noted that the forecast indicated that there would be sufficient cash available to fund pension payments and infrastructure drawdowns until April 2018, however the cash flow position would need to be monitored, as Partners Group were only able to advise of capital calls up to a month in advance. Councillor Nicholas Botterill with reference to the drawdowns on page 47 of the agenda, asked what they referred to. Peter Worth noted that these would be taken out of the liquidity fund.

Councillor Nicholas Botterill asked how accurate the budgeting was for the Council. Matthew Hopson noted that it was fairly accurate, however a new cash flow forecast was being piloted in Hammersmith and Fulham to ensure further accuracy.

Councillor Michael Adam, referring to page 20 of the agenda, asked how the Council would fund the projected annual deficit in 2018. Peter Worth said that the Council would need to set aside income from all funds, however wouldn’t need to sell the assets.

Peter Worth noted that the risk register had been reviewed in line with the standardised approach set out in the current Business Plan. Risk 9 had also been included as a new risk factor, namely the possible impact on membership.

RESOLVED
That the Sub-committee noted the report.

6. MIFID II AND MEMBER TRAINING

Peter Worth presented the report that provided an update of progress regarding opting up applications for professional client status under the Markets in Financial Instrument Directive (MIFID II). The key issue arising from the opting up application process was the need for member training and to be able to demonstrate that this had been provided and taken up. Opting up applications had been sent to all investment advisors, investment managers and the custodian – the Council was waiting for feedback.

Councillor Nicholas Botterill asked why this had taken so long. Peter Worth said that there was a lot of information to collate and additional information was also requested from some fund managers which meant that this was a time-consuming process.

Peter Worth noted that the MiFID II update application process had indicated the need to revisit existing training arrangements for Sub-Committee members – effectively as a form of continuous professional development programme.

Councillor Nicholas Botterill said that Councillors were there to bring democratic oversight and to exercise their judgement and knowledge. They also had extensive experience to ensure that the relevant questions were asked and the role of the officers was to supply technical advice and guidance. Peter Worth said that there was a statutory requirement that the Council needed to demonstrate that relevant training had been provided to Councillors.

RESOLVED

1. That the Sub-Committee noted the update.
2. That the Sub-Committee approved the suggested training programme.

7. LONDON CIV UPDATE

Matthew Hopson presented the report and noted that the key items of interest for the Sub-Committee was the launch of the new infrastructure and low carbon working groups. Hugh Grover had now left his position as Chief Executive of the London CIV and Mark Hyde-Harrison had been appointed interim Chief Executive.

Since transitioning to the London CIV, the Pension Fund had paid slightly higher fees in absolute terms. The reason for this higher fee was a result of switching the fee structure in the Majedie portfolio; the fee structure had switched from 35 basis points plus a performance fee; to a flat 60 basis points fee. Ruffer had delivered the fee savings expected by the transition to the London CIV. This supported the transfer of assets from Majedie to the Ruffer Absolute Return fund.

RESOLVED
That the Sub-Committee noted the update.

8. INFRASTRUCTURE TRANSITION UPDATE

Matthew Hopson presented the report and noted that the Sub Committee had already taken the decision to transfer £30m from the Majedie Focus Fund to Aviva Infrastructure Income Fund (AIIF) due to an overweight position in equities and a desire to move into infrastructure. The documentation and contracts had now been reviewed by all parties and were signed week commencing 6 November 2017. Since the 19 September 2017 AIIF had experienced significant queuing of funds for deployments in recent months and it was anticipated that the Hammersmith and Fulham Pension Fund would be unable to draw down on the existing commitment for 9-12 months. To mitigate the short-term exposure risk, it would be prudent to transfer the £30m commitment to Ruffer until required from drawn down and there were no additional transaction costs for doing so.

Councillor Michael Adam asked if the queue had grown since September and why a decision wasn't made sooner to avoid delay in the transfer process. Peter Worth said that the queue had grown and a Pensions Sub-Committee meeting was required in accordance to the Council's constitution to make a formal decision. Councillor Michael Adam asked for the constitution to be reviewed and feedback to be provided.

Action: Peter Worth/ Amrita Gill

RESOLVED

That the Sub-Committee recommended the divestment of 30m from Majedie Focus Fund and transfer to the Ruffer absolute return fund while Aviva draws down its commitment.

9. DATE OF THE NEXT MEETING

The next meeting was scheduled for 27 February 2018.

Meeting started: 7:00pm
Meeting ended: 8:05pm

Chair ....

Contact officer: Amrita Gill
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Agenda Item 5

London Borough of Hammersmith & Fulham PENSIONS BOARD 7 February 2018	h&f hammersmith & fulham
PENSION FUND QUARTERLY UPDATE PACK	
Report of the Strategic Finance Director	
Open Report	
Classification - For Information **Key Decision: No**	
Wards Affected: None	
Accountable Director: Phil Triggs, Interim Director of Pensions and Treasury	
Report Author: Sue Hands, Interim Finance Manager - Pensions	**Contact Details:** Tel: 0207 641 4331 E-mail: shands@westminster.gov.uk

1. EXECUTIVE SUMMARY

1.1. This report is the Pension Fund quarterly update pack for the quarter ended 30th September 2017. The scorecard in Appendix 1 provides a high level view of key pensions issues with more detail provided in the remaining appendices.

2. RECOMMENDATIONS

2.1. That the report is noted.

3. REASONS FOR DECISION

3.1. Not applicable.

4. PROPOSAL AND ISSUES

4.1. This report and associated appendices make up the pack for the quarter ended 30th September 2017. It is designed to provide Board members with a high level view of key pensions issues in the scorecard (see Appendix 1) with more detailed information in the remaining appendices.

4.2. There are no administration indicators in the scorecard, as they are not yet available.

4.3. Appendix 2 provides information about the Fund's investments and performance. Kevin Humpherson from Deloitte will be attending the meeting to present this report.

4.4. There is no funding level update this quarter as the actuarial valuation results are elsewhere on this agenda and the information would not be meaningful until the funding basis is agreed.

4.5. The actual cashflow for the period July to September 2017 and the forecast up to June 2018 is shown in Appendix 3. An analysis of the differences between the actuals and the forecast for the quarter is also shown, as well as an additional analysis of the invested cash in the LGIM Sterling Liquidity fund.

4.6. The format of the risk register has been reviewed in line with the standardised approach set out in the current Business Plan. As part of this process all risks have been reviewed to include a new risk factor, namely, the possible impact on membership. Appendix 4 shows the new Tri-Borough Risk Management Matrix and Risk Register with revised ratings.

4.7. A summary of the voting undertaken by the investment managers running segregated equity portfolios forms Appendix 5, this now incorporates the LGIM Global data, hence the significant increase in resolutions.

4.8. Appendix 6 gives an update on the Forward Plan as at 30th September 2017.

5. OPTIONS AND ANALYSIS OF OPTIONS

5.1. Not applicable.

6. CONSULTATION

6.1. Not applicable.

7. EQUALITY IMPLICATIONS

7.1. Not applicable.

8. LEGAL IMPLICATIONS

8.1. None.

9. FINANCIAL IMPLICATIONS

9.1. None.

10. IMPLICATIONS FOR BUSINESS

10.1. None.

11. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

11.1. None

LIST OF APPENDICES:

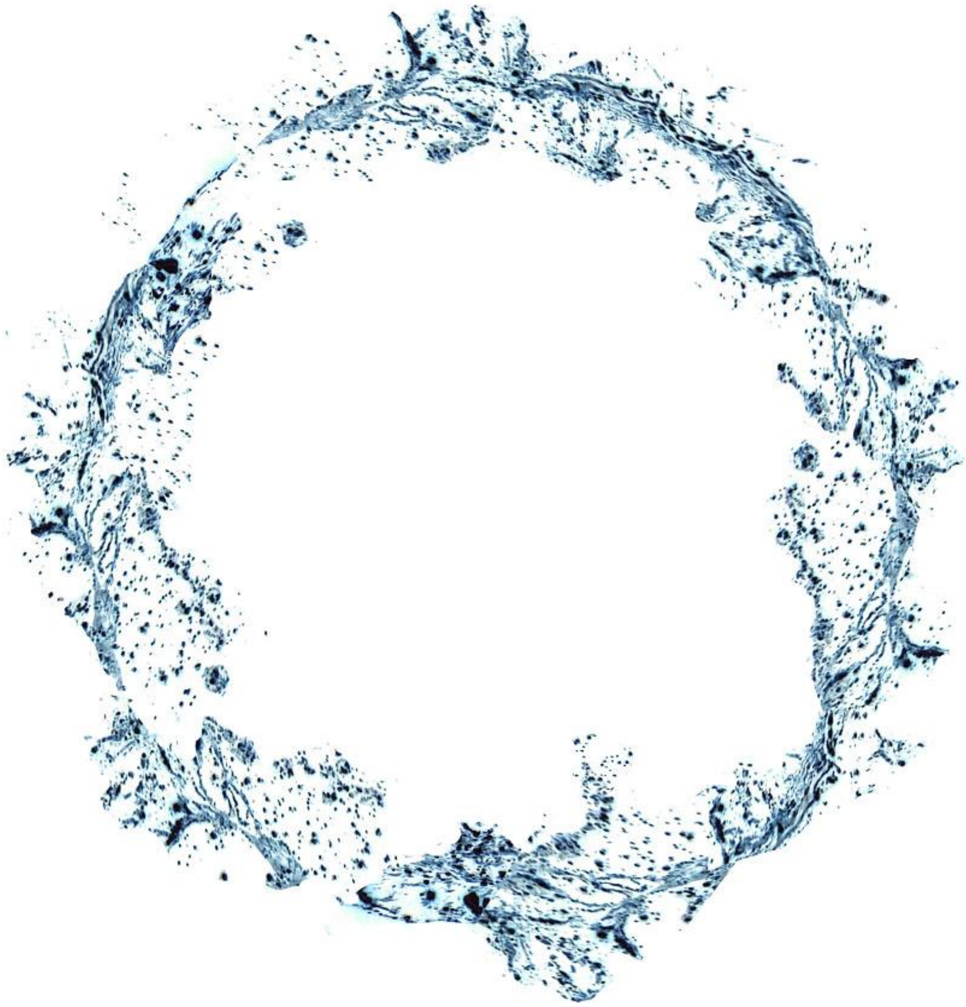
Appendix 1: Scorecard at 30th September 2017
Appendix 2: Deloitte quarterly report for quarter ended 30th September 2017
Appendix 3: Cashflow monitoring
Appendix 4: Pension Fund Risk Register
Appendix 5: Pension Fund Voting Summary
Appendix 6: Pensions Board Forward Plan

Appendix 1: Scorecard at 30th SEPTEMBER 2017

HAMMERSMITH AND FULHAM PENSION FUND QUARTERLY MONITORING

	Dec 16	Mar 17	Jun 17	Sep 17	Comment/ Report Ref if applicable
Value (£m)	982.1	1,002.6	1,001.3	1,011.9	Deloitte report Appendix 2
% return quarter	4.2%	2.6%	0.1%	0.1%	
% return 1 year	17.4%	18.2%	13.4%	8.4%	
LIABILITIES					
Value (£m)	-	851.2	-	-	Not available this quarter
Deficit (£m)	-	114.4	-	-	
Funding Level	-	88%	-	-	
MEMBERSHIP					
Active members	4,082	4,136	4,356	4,356	Not available this quarter
Deferred beneficiaries	5,825	5,785	5,753	5,753	
Pensioners	4,713	4,758	4,842	4,842	
Employers	38	41	41	41	
ADMINISTRATION					
None available	-	-	-	-	N/A
	-	-	-	-	
CASHFLOW					
Cash balance	(£0.1m)	£2.8m	£2.5	£5.0m	Appendix 3
Variance from forecast	(£3.5m)	£1.2m	(£4.5m)	(£0.8m)	
RISK					
No. of new risks	0	n/a	0	0	Appendix 4 – New Risk Register
No. of ratings changed	0	n/a	1	0	
VOTING					
No. of resolutions voted on by fund managers	3,449	5,716	32,183	5,282	Appendix 5 – LGIM only this quarter
LGPS REGULATIONS					
New consultations	One	None	None	None	N/A
New sets of regulations	None	None	None	None	

Deloitte.



London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 30 September 2017

Deloitte Total Reward and Benefits Limited
November 2017

Contents

1 Market Background

1.1 Three months and twelve months to 30 September 2017

The UK equity market made further gains over the third quarter of 2017, with the FTSE All Share returning 2.1%. However these gains mask a negative return of 0.4% for September, partially in response to the Bank of England indicating an increase in interest rates was likely in the near future.

Smaller UK companies outperformed larger companies over the quarter, with the FTSE Small Cap Index returning 3.0% while the FTSE 100 Index returned 1.8%. At a sector level, there was also a dispersion of returns. Basic Materials (12.1%), Oil & Gas (9.8%) and Technology (5.5%) made substantial gains, while Health Care (-6.3%) and Telecommunications (-4.2%) suffered losses.

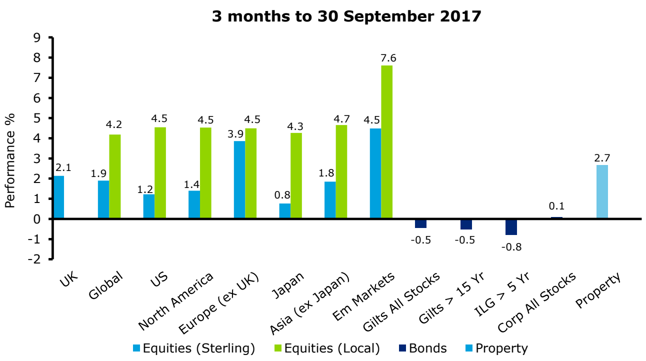
Global equity markets outperformed UK equities in local currency terms (4.2%) as the UK economic growth prospects continue to lag behind other developed markets following the growing uncertainty over Brexit. However global equities lagged UK equities in sterling terms (1.9%) as Sterling strengthened over the quarter, with currency hedging therefore benefitting investors. All geographic regions delivered positive returns in local currency terms. Emerging Markets (7.6%) was the best performing region in local terms, continuing their recovery, with Japan (4.3%) being the poorest performing region outside the UK, in local currency terms.

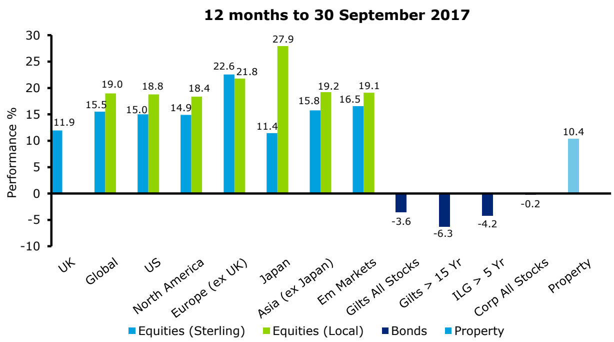
Nominal gilt yields marginally increased over the third quarter as a whole, but falling yields over July and August disguised what was a significant rise in yields during September following renewed expectations of a rise in the UK base rate. This led to the All Stocks Gilts Index delivering a negative return of -0.5% over the quarter. Real yields followed a similar path to nominal yields over the quarter as inflation expectations were broadly unchanged. There was a negative return of -0.8% on the Over 5 Year Index-Linked Gilts Index over the period. There was a marginal narrowing of credit spreads over the third quarter, and the iBoxx All Stocks Non Gilt Index delivered a small positive return of 0.1% over the period.

Over the 12 months to 30 September 2017, the FTSE All Share Index delivered a positive return of 11.9%, helped by an increasingly positive global economic picture. This was partly offset by the increasing uncertainty caused by Brexit, with UK equities lagging their European and global local currency equivalents. At a sector level, returns have been mixed. Basic Materials (28.3%) was the best performing sector while Utilities (-14.4%) was the poorest performing sector. Global equity markets outperformed the UK in both sterling (15.5%) and local (19.0%) currency terms, with currency hedging beneficial over the year.

UK nominal gilts delivered negative returns over the 12 months to 30 September 2017, with the All Stocks Gilts Index returning -3.6% and the Over 15 year Gilts Index returning -6.3%. UK index-linked gilts also delivered negative returns over the same period, with the Over 5 Year Index-Linked Gilts Index returning -4.2%. Credit spreads narrowed over the year to 30 September 2017, partly offsetting the rise in gilt yields, and the iBoxx All Stocks Non Gilt Index delivered a small negative return of -0.2%.

The IPD UK Monthly Property Index returned 2.7% over the quarter and 10.4% over the year to 30 September 2017, as the market continued to rebound after the bounce back from the negative reaction to the EU referendum. The search for yield has contributed to the increased demand for UK property, which is still viewed as a "safe haven" by some overseas investors - foreign demand remains strong despite the uncertainty surrounding Brexit.





2 Performance Overview

2.1 Investment Performance to 30 September 2017

Breakdown of Fund Performance by Manager as at 30 Sept 2017 Fund	Manager	3 month	1 year	2 year p.a.	3 year p.a.	5 year p.a.
Equity Mandate						
	Majedie	2.0	13.0	12.7	9.1	13.2
FTSE All Share		2.1	11.7	14.2	8.4	9.9
Difference		-0.1	1.3	-1.5	0.7	3.3
	LGIM Global Equity	1.9	14.8	17.8	11.5	6.8
FTSE All World*		1.9	15.0	17.9	11.6	6.8
Difference		0.0	-0.1	-0.1	-0.1	0.0
Dynamic Asset Allocation Mandates						
	Ruffer	-1.5	-0.5	5.5	5.1	6.4
3 Month Sterling LIBOR + 4% p.a.		1.1	4.3	4.4	4.5	4.5
Difference		-2.5	-4.9	1.0	0.7	1.8
	Insight	-0.3	0.4	n/a	n/a	n/a
3 Month Sterling LIBOR + 2% p.a.		0.6	2.3	n/a	n/a	n/a
Difference		-0.9	-1.9	n/a	n/a	n/a
Private Equity						
	Invesco	-3.1	0.0	6.7	13.0	15.5
	Unicapital	-1.0	6.1	14.1	11.6	9.1
Secure Income						
	Partners Group MAC	2.3	6.2	n/a	n/a	n/a
3 Month Sterling LIBOR + 4% p.a.		1.1	4.3	n/a	n/a	n/a
Difference		1.2	1.9	n/a	n/a	n/a
	Oak Hill Advisors	0.9	5.0	n/a	n/a	n/a
3 Month Sterling LIBOR + 4% p.a.		1.1	4.3	n/a	n/a	n/a
Difference		-0.1	0.6	n/a	n/a	n/a
	Partners Group Infra	-4.1	-7.7	n/a	n/a	n/a
3 Month Sterling LIBOR + 8% p.a.		2.0	8.3	n/a	n/a	n/a
Difference		-6.1	-16.0	n/a	n/a	n/a
Inflation *Protection*						
	M&G	2.3	2.7	n/a	n/a	n/a
RPI + 2.5% p.a.		1.6	6.3	n/a	n/a	n/a
Difference		0.7	-3.6	n/a	n/a	n/a
	Standard Life	2.6	10.2	n/a	n/a	n/a
FT British Government All Stocks		0.1	-1.6	n/a	n/a	n/a
Difference		2.5	11.8	n/a	n/a	n/a
Total Fund		1.3	8.4	11.6	9.7	10.9
*Benchmark**		1.5	8.2	10.9	7.3	5.7
Difference		-0.1	0.1	0.7	2.4	5.3
Northern Trust Benchmark		1.6	8.5	n/a	9.1	8.8

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.

3 Total Fund

3.1 Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund – Gross of fees	1.5	8.8	12.1	10.2	11.3
Net of fees[(1)]	1.3	8.4	11.6	9.7	10.9
Benchmark[(2)]	1.5	8.2	10.9	7.3	5.7
Net performance relative to benchmark	-0.1	0.1	0.7	2.4	5.3

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

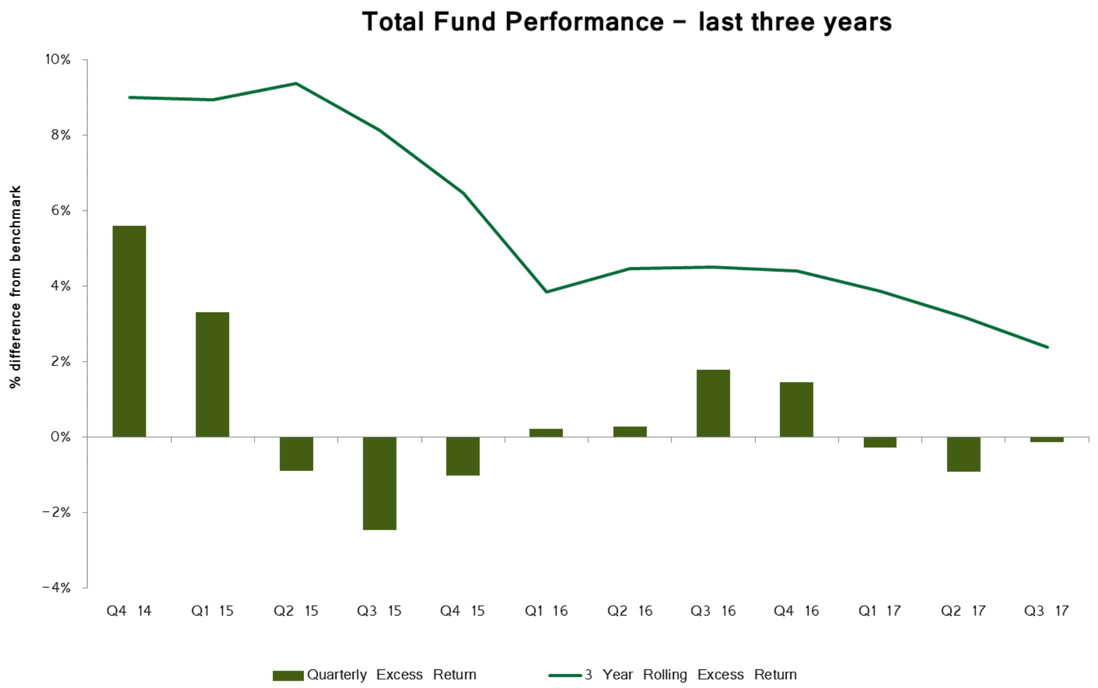
(1) Estimated by Deloitte

(2) Average weighted benchmark

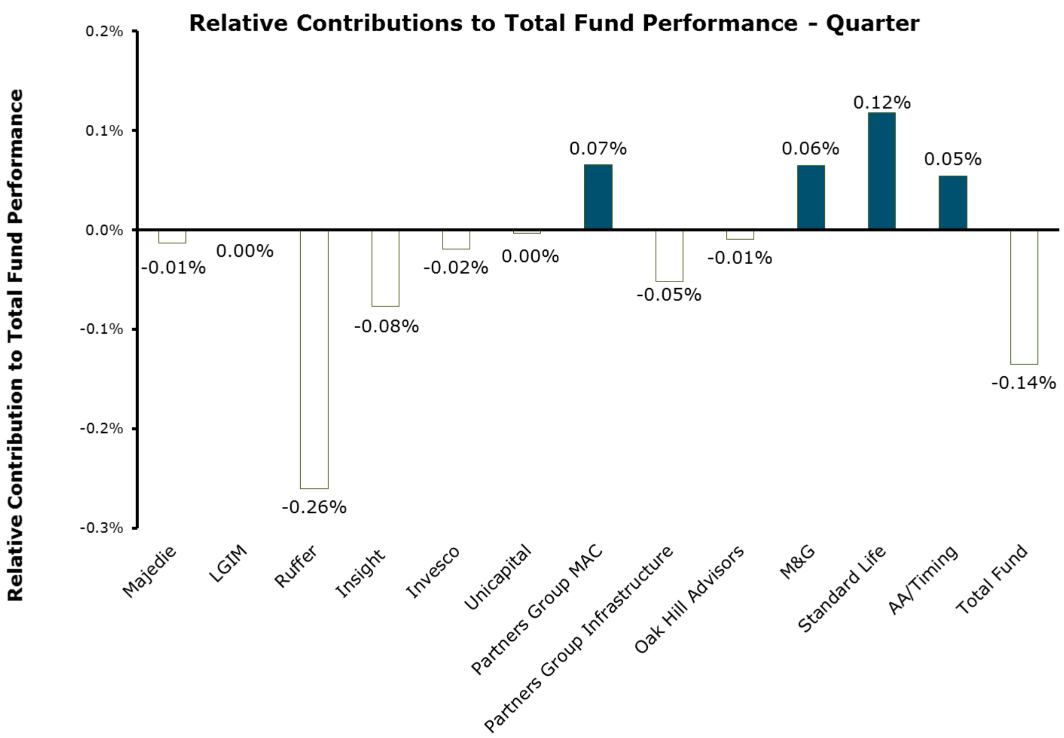
Over the quarter, the Total Fund underperformed its fixed weight benchmark by 0.1% on a net of fees basis.

Over the 12 month period, the Fund delivered a net return of 8.4%, outperforming the benchmark by 0.1%. The Fund remains ahead of the benchmark over the three and five year periods by 2.4% p.a. and 5.3% p.a. respectively.

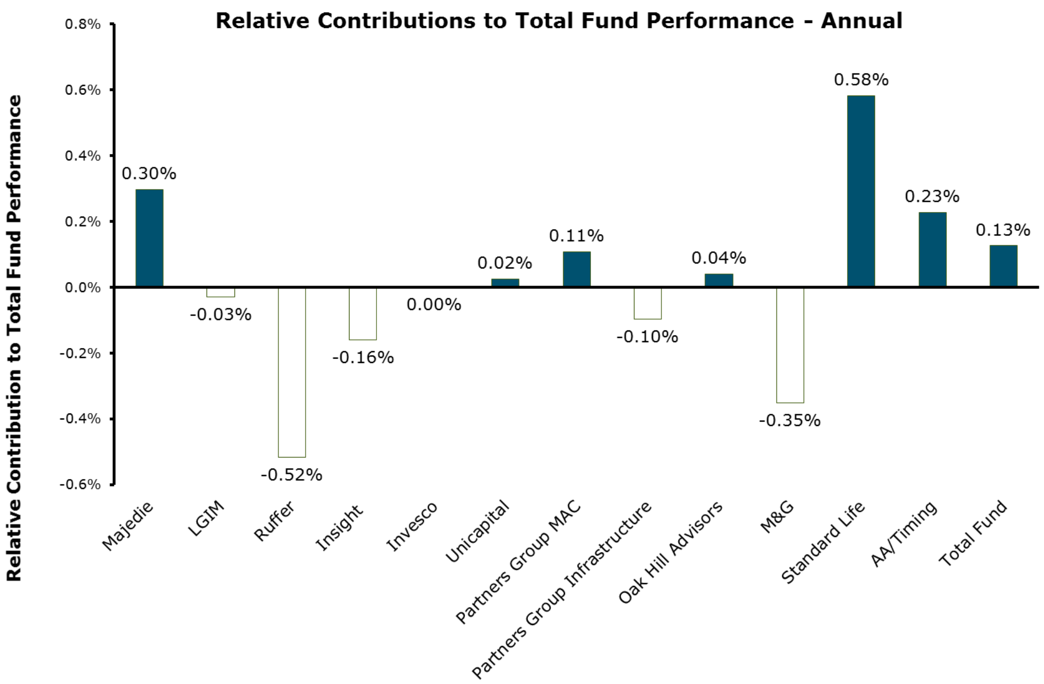
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 30 September 2017, highlighting the strong relative returns in the fourth quarter of 2014 and early 2015 – much of which can be attributed to the outperformance achieved by Majedie. Despite the Fund delivering positive relative returns in all four quarters of 2016, with the third and fourth quarter being particularly strong, the rolling 3 year returns are likely to decline as the impact of Q4 2014 and Q1 2015 drop out of the calculations.



3.2 Attribution of Performance to 30 September 2017



On a net of fees performance basis, the Fund underperformed the composite benchmark by 0.1% over the third quarter of 2017, largely as a result of underperformance from Ruffer, as well as negative contributions from Insight and Partners Group Infrastructure.



Over the year the Fund outperformed the composite benchmark by 13bps following strong positive contributions from Majedie, Partners Group MAC and Standard Life. The main detractors to performance over the year to 30 September 2017 were Ruffer, Insight and M&G, albeit absolute returns for the Insight and M&G funds were still positive. The positive contribution shown by the "AA/Timing" bar was primarily driven by the Fund having an overweight allocation to equities.

3.3 Asset Allocation

The table below shows the assets held by each manager as at 30 September 2017 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation 30 June 2017 (£m)	30 Sept 2017 (£m)	30 June 2017 (%)	30 Sept 2017 (%)	Benchmark Allocation (%)
Majedie	UK Equity (Active)	223.8	228.0	22.4	22.5	22.5
LGIM	Global Equity (passive)	296.1	301.8	29.6	29.8	22.5
	Total Equity	**519.9**	**529.8**	**51.9**	**52.4**	**45.0**
Ruffer	Absolute Return	101.2	99.9	10.1	9.9	10.0
Insight	Bonds Plus	88.9	88.8	8.9	8.8	10.0
	Total Dynamic Asset Allocation	**190.1**	**188.7**	**19.0**	**18.6**	**20.0**
Invesco	Private Equity	4.9	4.8	0.5	0.5	0.0
Unicapital	Private Equity	2.7	2.7	0.3	0.3	0.0
	Total Private Equity	**7.7**	**7.5**	**0.8**	**0.7**	**0.0**
Partners Group	Multi Asset Credit	53.1	52.9	5.3	5.2	7.5
Oak Hill Advisors	Diversified Credit Strategy	71.2	72.0	7.1	7.1	7.5
Partners Group	Direct Infrastructure	5.9	4.1	0.6	0.4	5.0
	Secure Income	**130.2**	**129.0**	**13.0**	**12.7**	**20.0**
M&G	Inflation Opportunities	94.2	96.5	9.4	9.5	10.0
Standard Life	Long Lease Property	48.3	49.6	4.8	4.9	5.0
	Total Inflation Protection	**142.6**	**146.1**	**14.2**	**14.4**	**15.0**
LGIM	Liquidity Fund	10.8	10.8	1.1	1.1	0.0
	Total	**1,001.3**	**1,011.9**	**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

The Fund remains overweight Equities by 7.4% and underweight Secure Income by 7.3%. The Sub-Committee decided to make a £30m investment to the Aviva's Infrastructure Income Fund ("AIIF") which will be funded from the Fund's Majedie holdings. This investment along with the undrawn Partners Group Infrastructure investment should rebalance the Fund back to the benchmark weights, once both products have been fully drawn down.

3.4 Yield Analysis as at 30 September 2017

The following table shows the running yield on the Fund's investments:

Manager	Asset Class	Yield as at 30 September 2017
Majedie	UK Equity	3.10%
LGIM	Global Equity	0.23%*
Ruffer	Dynamic Asset Allocation	1.56%
Insight	Dynamic Asset Allocation	2.34%
Partners Group MAC	Secure Income	3.26%
Oak Hill Advisors	Secure Income	6.36%
M&G	Inflation Protection	2.53%
Standard Life	Inflation Protection	4.27%
	Total	**2.20%**

*Represents yield available from NDIP. Benchmark yield was 2.4%.

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
LGIM	Global Equities	Major deviation from the benchmark return Significant loss of assets under management	1
Ruffer	Absolute Return	Departure of either of the co-portfolio managers from the business Any significant change in ownership structure	1
Insight	Bonds Plus	A significant increase or decrease to the assets under management with no set limits Significant changes to the team managing the Fund	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
	Direct Infrastructure	Significant changes to the investment team responsible for the Fund. *Note the mandate is subject to a 10 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
Aberdeen Standard Investments	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

4.1 London CIV

Business

As at 30 September 2017, the London CIV had 9 sub-funds and assets under management of £5,556m, an increase of c. £600m over the quarter, with one new sub-fund added (Longview global equity) and one investor being added to the Ruffer sub-fund.

Personnel

Early in the quarter it was announced that Jill Davys was leaving the CIV – Jill was responsible for liaising and monitoring the managers on the platform. Post quarter end it was announced that Hugh Grover, CEO of the London CIV, had resigned from his role and that Mark Hyde-Harrison, former chief of the Barclays UK Retirement Fund and current head of defined contribution strategy at Willis Towers Watson, would step in as interim CEO while a permanent replacement is sought.

On a more positive note, the CIV has hired individuals to lead on the fixed income and equity areas – both reporting into Julian Pendock, the CIO. We also understand that a replacement for Jill Davys has been appointed.

Deloitte view – The London CIV is still at a relatively early stage in terms of building out its offerings to the London boroughs and we continue to monitor the developments, particularly with regards to the building of the Fixed Income and Alternative sub funds. To achieve its goals, the CIV will need to recruit further personnel to the investment team and look at how it communicates effectively with the boroughs and their advisors. We see recent turnover of key staff as being a concern, adding to the concerns about the slow pace of progress.

4.2 Majedie

Business

The total assets under management for Majedie was c. £14.5bn as at 30 September 2017, an increase of £300m over the quarter. This was largely down to positive market movements rather than new asset flows.

The latest Tortoise Fund capacity has been filled and the fund is now closed again.

Personnel

One graduate trainee joined the UK Equity Fund team over the quarter. No other personnel changes were noted.

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

4.3 LGIM

Business

As at 30 June 2017, Legal & General Investment Management ("LGIM") had total assets under management of £951bn, an increase of £57bn since 31 December 2016, with the largest increases seen in the Solutions and Multi-Asset parts of the business. Note, Legal & General now report asset growth figures on a semi-annual reporting timetable and the next updated figures (December 2017) will be released by March 2018.

Personnel

At the Index team level, there was one new joiner over the quarter, Joseph LaPorta, previously at Northern Trust, who joined as a Portfolio Manager. There were no leavers over the quarter.

Deloitte View – We continue to rate Legal & General positively for its passive capabilities.

4.4 Ruffer

Business

Total assets under management was £21.7bn as at 30 September 2017, an increase from £21.3bn at the 30 June 2017. There was c. £0.5bn of new flows into the Fund over the third quarter of 2017.

Personnel

There were no significant personnel changes over the quarter.

Deloitte view – The Ruffer product is distinctive within the universe of diversified growth managers with the manager willing to take contrarian, long term positions, where necessary drawing on the expertise of external funds. We particularly like the capital preservation perspective that is used in constructing the strategy.

4.5 Insight

Business

Total assets under management remained broadly unchanged over Q3, at c. £550bn. Insight won 6 new client mandates totalling £0.7bn over the quarter, but lost one client (£1.9bn).

Total assets in Insight's Bonds Plus Fund were £3,627m as at 30 September 2017.

Insight will be changing the Bonds Plus 200 and Bonds Plus 400 to daily dealing in Q4 2017 – currently the funds are weekly dealt.

Personnel

Insight made no changes to their Bonds Plus team over the quarter, however:

- Chris Brown has been promoted to head of Money Market, replacing Colin Cave who left at the end of Q2.
- James McKerrow joined as part of the Money Market Team in July 2017 with a focus on repo trading and gilt financing. James previously spent 9 years at LCH Limited as a Portfolio Manager.
- Drago Dimitrov joined as a Credit Analyst in July 2017 in the New York investment team. His focus will be on the evaluation of leveraged loans in the primary and secondary markets. Drago previously spent 2 years as a Credit Analyst at ZAIS Group.
- There will be 3 new joiners in the Secured Finance team in Q4 due to increased client demand.
- After Howard Kearns and Heather Porter joined in Q2, Michael Scott has joined the Modelling and hedge design team in Q3. Michael has a PHD in Mathematics and Statistics.
- Jack Rowett has joined the Financial Solutions Discovery team. Jos Vermeulen has been promoted to Head of Solution Design, with Paul Richmond supporting.

- Steve Aukett has taken a career break and will be returning in January; he will be taking the role of Client Lead on his return.

Deloitte view – We rate Insight positively for its Fixed Income capabilities but continue to monitor how growth is being managed across the business.

4.6 Partners Group

Business - Multi Asset Credit

The net asset value of the MAC Fund was £256m as at 30 September 2017. The investment period for the 2014 MAC vintage finished at the end of July 2017.

The Multi-Asset Credit 2016 Fund, launched in July 2016, held a final close on 18 April 2017 with commitments of c. £535m. A successor MAC 2017 vintage was launched in October 2017, with commitments to date of c.£500m. A first close of the Fund is expected in January 2017. Partners Group has a "soft cap" on the Fund of £1bn with a "hard cap" of £1.5bn..

Business - Direct Infrastructure

Total commitment value as at 30 September 2017 was c. €1,080m, an increase of c. €375m over the quarter as the Fund held two further closes.

The Fund was c. 7.7% drawn as at 30 September.

Personnel

There were no significant personnel changes to the senior management team during the quarter.

Deloitte View - We continue to rate Partners Group for its private market capabilities.

4.7 Oak Hill Advisors – Diversified Credit Strategy (DCS)

Business

The total assets under management was approximately $31.8bn as at 1 August 2017, increasing by c. $1.1bn from 30 June 2017, with total assets in the DCS Fund at c. $5.4bn, an increase of c. $0.3bn over the quarter.

OHA are in the process of launching a closed-ended private debt fund, the OHA Credit Solutions Fund. This fund will be US and EUR denominated, focussing on private and non-syndicated debt, along with illiquid, large cap investments.

Personnel

Doug Henderson, co-head of European Credit, will be leaving his role to transition to a new role in the US. Doug will be taking on a senior advisor role within Oak Hill and is moving to be closer to his family. Alexandra Jung is to become sole head of European Credit.

Deloitte view – We are comfortable with how the strategy is being managed and the level of risk within the strategy. We believe that the move to a single head of European Credit will have no impact on the management of the DCS strategy.

4.8 M&G – Inflation Opportunities Fund

Business

Assets invested in the Inflation Opportunities Fund V Fund as at 30 September 2017 were c. £488m, down from c. £530m the previous quarter as one investor trimmed its investment. The Fund has reduced its exposure to Index-linked gilts over the quarter but still the primary component of the portfolio at c. 40%, with long lease property at c. 31%, income strips at c. 21% and ground rents at c. 8%.

Personnel

Following the quarter end, M&G announced that Alex Jeffrey will be stepping down as Chief Executive of M&G Real Estate in Q2 2018 to take up a new role as Head of Asia for all M&G's business in the region. Simon Pilcher, Chief Executive, Fixed Income, will assume accountability at board level for M&G Real Estate.

Deloitte view –The strategy has a high allocation to ILGs and has not managed to source as many 'inflation opportunities' as originally expected given the change in market conditions. The manager expects to increase the allocation to long lease property and, while we are positive on this asset class, it does create overlap with the Fund's Long Lease Property mandate with Standard Life Investments. As such, the Committee may wish to consider whether there are alternative options that could be considered for all or part of the allocation in this strategy which offer at least a degree of "inflation proofing".

4.9 Aberdeen Standard Investments – Long Lease Property

Business

During the third quarter, the merger between Standard Life and Aberdeen Asset Management was completed. The new combined business is called Standard Life Aberdeen plc, with the investment business operating under the name Aberdeen Standard Investments.

The Fund's assets under management increased to £1.95bn over the third quarter, following positive performance, with no significant inflows or outflows over the quarter.

Personnel

Following the quarter end, the leadership team for Aberdeen Standard Investments Real Estate Division was announced. The team will report to David Paine and Pertti Vanhanen, Global Co-Heads of Real Estate and will be:

- Andrew Allen – Global Head of Investment Research
- Anne Breen – Global Head of Investment Process and Strategy
- Andrew Creighton – Heading of Continental European Real Estate
- Claire George – Global COO (Platform and Operations)
- Mike Hannigan – Head of Real Estate UK
- Paolo Alonzi – Global COO (Finance and Strategy)
- Puay-Ju Kang – Global Head of Real Estate Multi Manager and Head of Real Estate Asia Pacific

The integration of the underlying team structures is expected to take place through Q1 2018. The only senior departure to date will be Russel Chaplin, from the Aberdeen side, which will take place over the next 4 to 5 months.

There has been no change to Richard Marshall's role and he will continue to be the Fund Manager on the Long Lease Property Fund.

Deloitte View – We are still waiting further details on the longer-term implications of the deal, although it is expected that there will be rationalisation across both businesses from both front and back office functions and we are aware that in some areas the required "consultation process" has been started.

Corporate activity within the asset management industry is difficult and tends to result in a period of uncertainty for both clients and the in-house teams. While we will monitor developments closely and keep the Committee informed of any changes impacting the teams managing the long lease fund, we are less concerned about the potential implications given the long(er) term nature of the underlying investments.

We remain positive on long lease property given the long-term, inflation-linked nature of the contractual cash-flows which arise from this type of investment.

5 London CIV

5.1 Investment Performance to 30 September 2017

As at 30 September 2017, the London CIV had 9 sub-funds and assets under management of £5,556m, an increase from £4,940m as at 30 June 2017. This growth was attributable to a new sub-fund added over the quarter, which added c. £376m to the platform, as well as positive investment performance.

The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 30 June 2017 (£m)	Total AuM as at 30 September 2017 (£m)	Number of London CIV clients	Inception Date
LCIV MJ UK Equity	UK Equity	Majedie	510	523	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	691	715	3	02/12/15
LCIV BG Global Alpha Growth	Global Equity	Baillie Gifford	1,674	1,742	9	11/04/16
LCIV NW Global Equity	Global Equity	Newton	659	661	3	22/05/17
LCIV LV Global Equity	Global Equity	Longview Partners	n/a	376	3	17/07/17
LCIV PY Total Return	Diversified growth fund	Pyrford	225	223	3	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	362	434	5	15/02/16
LCIV RF Absolute Return	Diversified growth fund	Ruffer	473	539	6	21/06/16
LCIV NW Real Return	Diversified growth fund	Newton	346	343	3	16/12/16
Total			**4,940**	**5,556**	**19**	

During the quarter, the Longview sub-fund was added. Longview and the London CIV are working together to plan the transition for the relevant funds. The London CIV is expecting to add the following three sub-funds over the coming months:

- Epoch Investment Partners – Global equity income sub-fund.
- RBC – Sustainable equity sub-fund.
- Janus Henderson – Emerging market equity sub-fund.

6 Majedie – UK Equity

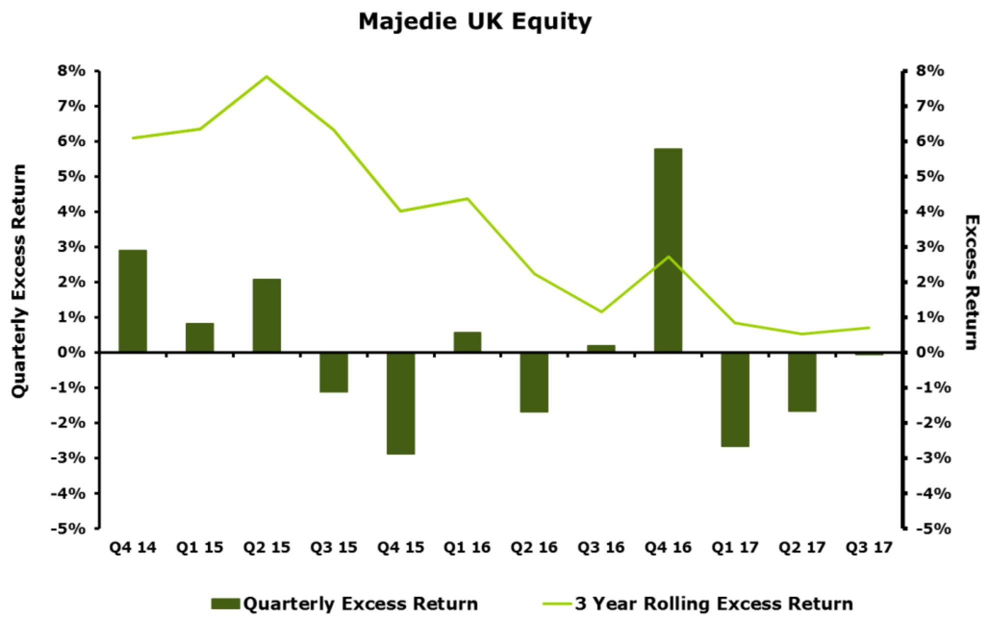
Majedie was appointed to manage an actively managed segregated UK equity portfolio. The manager's remuneration is a combination of a tiered fixed fee, based on the value of assets and a performance related fee of 20% of the outperformance which is payable when the excess return over the FTSE All Share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

6.1 UK Equity – Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)(1)	Three Years (% p.a.)	Five Years (% p.a.)
Majedie – Gross of fees	2.2	13.5	13.2	9.5	13.6
Net of fees(1)	2.0	13.0	12.7	9.1	13.2
Benchmark	2.1	11.7	14.2	8.4	9.9
Target	2.6	13.7	16.2	10.4	11.9
Net performance relative to Benchmark	-0.1	1.3	-1.5	0.7	3.3

Source: Northern Trust

(1) Estimated by Deloitte



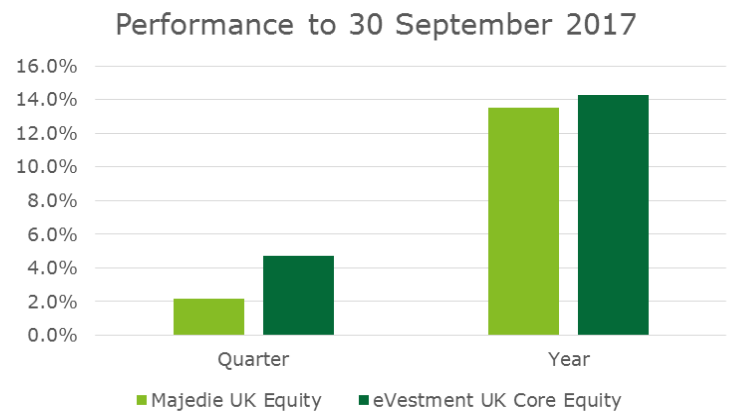
The Fund returned -2.0% net of fees over the quarter against a benchmark return of 2.1%, taking the annual performance net of fees to 13.0% versus the benchmark return of 11.7%. Over both the three year and five year periods, the Fund is ahead of the benchmark, albeit behind the stated outperformance target over the three year period.

6.2 Performance analysis

When analysing the performance of an active equity manager, it is important to understand the 'style' of the strategy and assess the performance and attribution with this in mind. One way to do this is to compare the performance with other products with a similar style.

The UK Equity Fund uses a multi-manager approach with 4 fund managers responsible for their own portfolios within the strategy. Each manager has a slightly different management style and therefore the Fund can, at times, display a bias to a particular style depending on the current market environment and the strength of views being expressed by the managers. The analysis below compares the UK Equity Fund to a universe of core UK equity managers, allowing us to analyse Majedie's chosen style drift as well as sector positioning and stock selection, versus this universe. The universe is provided by eVestment and contains 78 products across 38 firms.

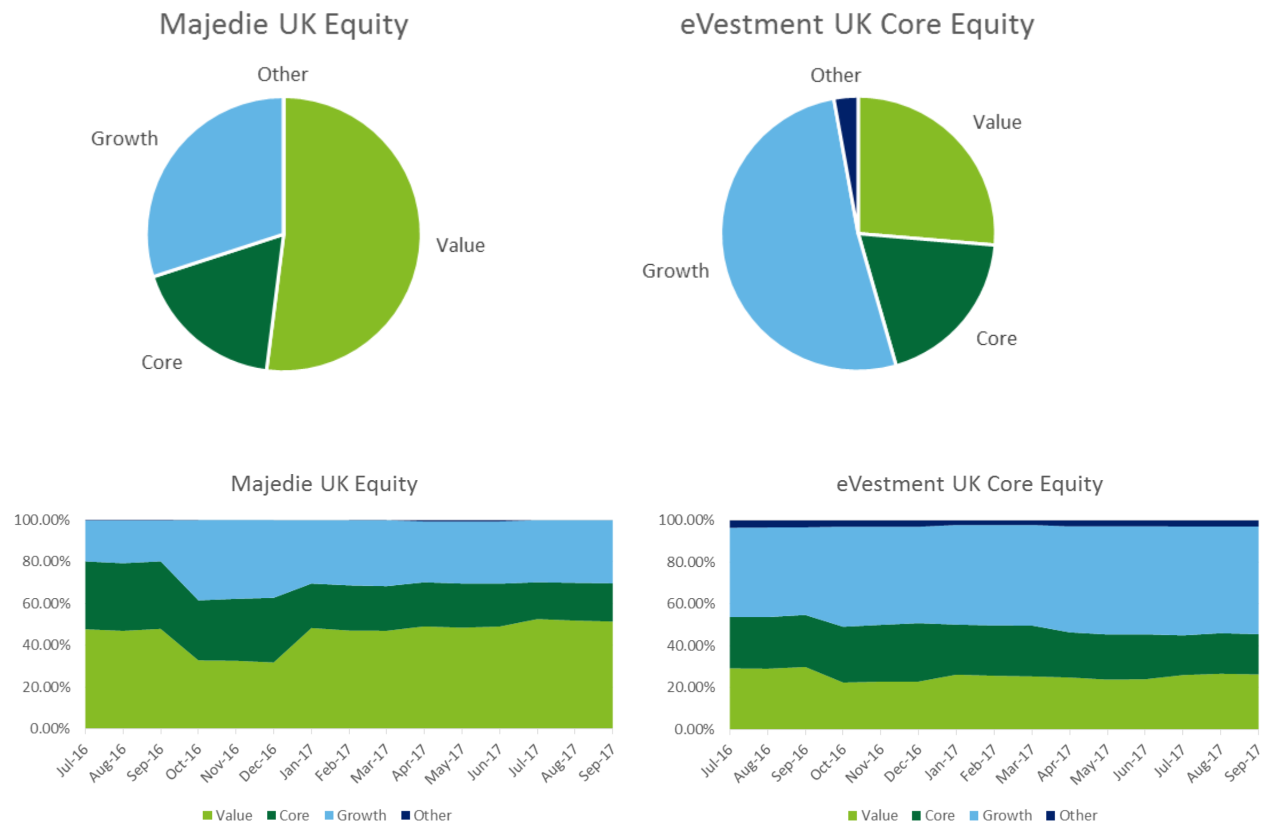
The chart below compares the performance of Majedie with its peer group (gross of fees).



Majedie has underperformed the core equity universe by 2.5% over the quarter and by 0.8% over the year to 30 September 2017. Over the past year Majedie has had a value tilt in the portfolio (52% allocation versus average 26% across the peer group), reflecting concerns that the broader market is overvalued and, if there were to be a correction, the more cyclical value stocks would perform better in such an environment.

Source: eVestment.

The charts below show Majedie's style allocation over the quarter and year compared to the average allocation across the peer group.



Source: eVestment.

Majedie has had an overweight allocation to value and underweight to growth stocks over the past 6 months, relative to its peers. This illustrates Majedie's concerns on markets and represents a relatively defensive position should there be a market correction.

7 Legal and General – Global Equity

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with the objective of replicating the performance of the FTSE All World Index benchmark. The manager is remunerated on a tiered fixed fee based on the value of assets.

7.1 Global Equity – Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)
LGIM – Gross of fees	1.9	15.0
Net of fees[(1)]	1.9	14.8
Benchmark	1.9	15.0
Net Performance relative to Benchmark	0.0	-0.1

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

The Fund performed in line with the benchmark over the quarter and slightly underperformed the benchmark over the year to 30 September 2017.

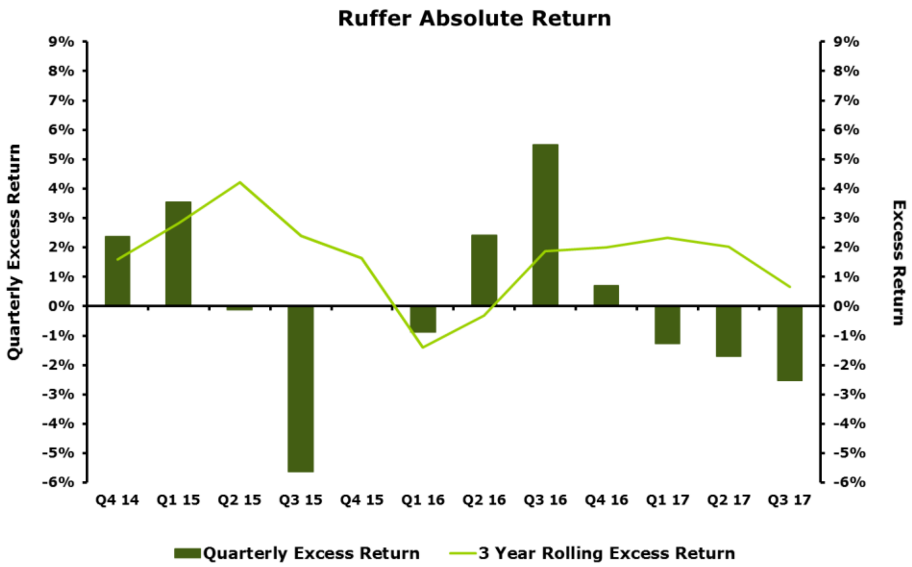
8 Ruffer – Absolute Return

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.

8.1 Dynamic Asset Allocation – Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)(1)	Three Years (% p.a.)	Five Years (% p.a.)
Ruffer - Gross of fees	-1.3	0.3	6.3	6.0	7.2
Net of fees(1)	-1.5	-0.5	5.5	5.1	6.4
Benchmark / Target	1.1	4.3	4.4	4.5	4.5
Net performance relative to Benchmark	-2.5	-4.9	1.0	0.7	1.8

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



Ruffer underperformed its Libor +4% p.a. target over the first quarter by 2.5% net of fees. This takes the 12 month and three year relative performance to -4.9% and 0.7% p.a. respectively.

A combination of a rally in sterling and a fall in expected UK inflation led to the negative performance of the Fund's index-linked bonds. Continued low volatility in equity markets also detracted from performance as the Fund's VIX options fell in value.

Ruffer's holdings in western equities had the largest contribution to portfolio return. Rising oil prices provided an increased return for BP over the quarter, meanwhile the strong performance of the music industry produced an increase in Vivendi's share price over the quarter.

Ruffer sees financial stocks as good value relative to the rest of the equity market. Ruffer believes their value is still largely based on historic events and feel these stocks also offer benefits in a reflationary environment. With c. 11% of the portfolio in financials, Ruffer will look to cut this position in the short term to capture gains.

The Fund's sterling allocation has reduced slightly over the quarter from 74% to 72%, with the sterling risk still remaining from the outcome of the election and Brexit uncertainties.

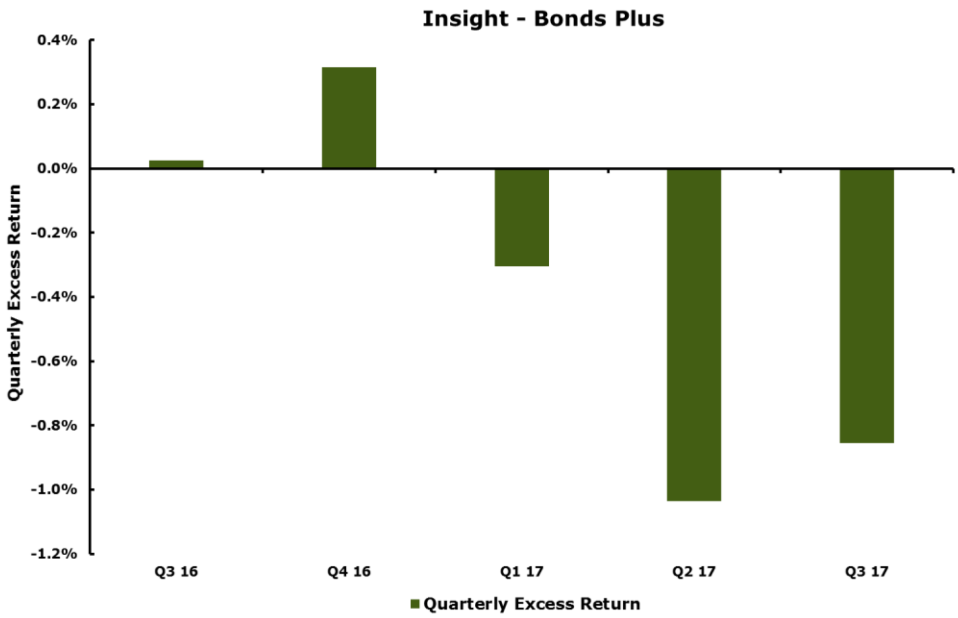
9 Insight – Bonds Plus

Insight 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.

9.1 Absolute Return – Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)
Insight - Gross of fees	-0.2	0.9
Net of fees(1)	-0.3	0.4
Benchmark / Target	0.6	2.3
Net performance relative to Benchmark	-0.9	-1.9

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



Insight underperformed its target over the third quarter by 0.9% net of fees. Over the year to 30 September 2017, the Fund has underperformed its target by 1.9% net of fees.

The Fund's duration positioning was a detractor over the quarter, mainly due to tactical long positions in Germany and short positions in the UK.

Small positive contributions were achieved via the yield curve, investment grade credit and ABS with Insight's US short 10 year versus long 30 year positions benefitting from the US yield curve flattening, and the continued tightening of spreads.

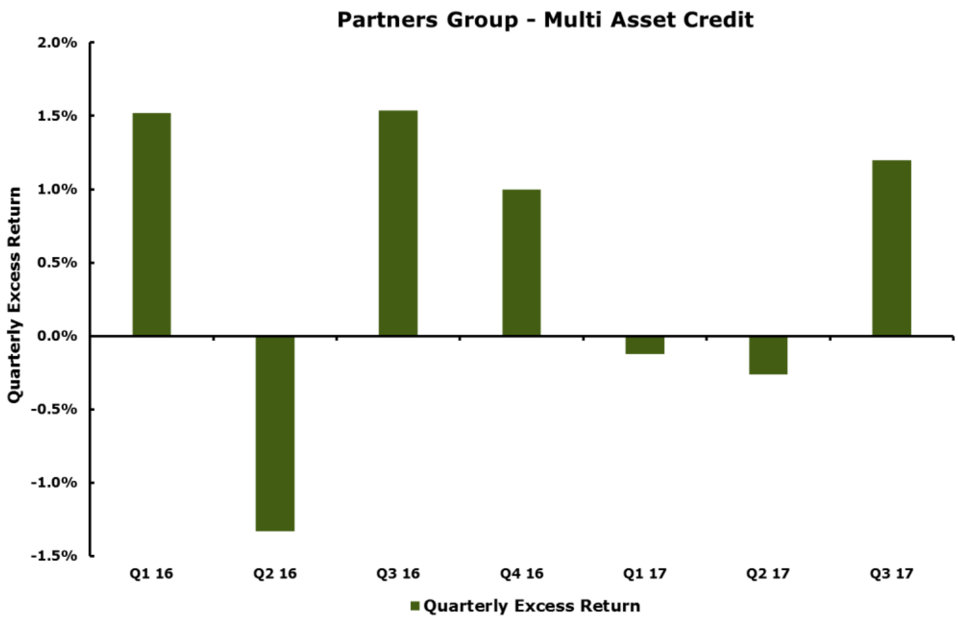
10 Partners Group – Multi Asset Credit

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.

10.1 Multi Asset Credit - Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)
Partners Group MAC - Gross of fees	2.5	7.1
Net of fees(1)	2.3	6.2
Benchmark / Target	1.1	4.3
Net performance relative to Benchmark	1.2	1.9

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

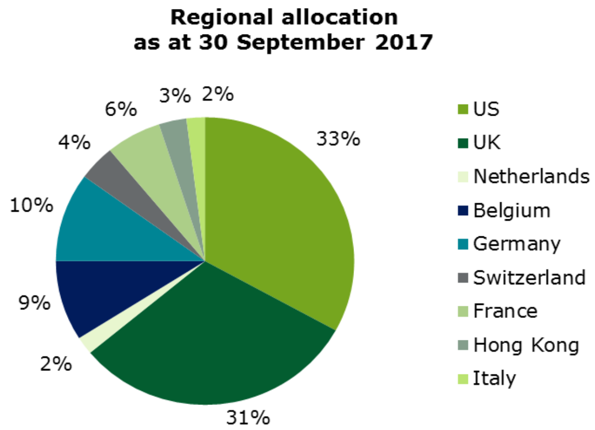


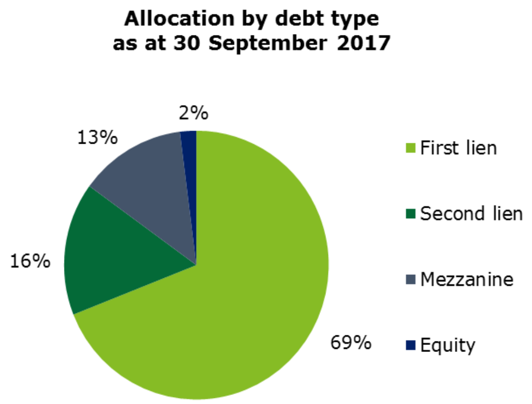
The Fund outperformed its benchmark over the quarter, net of fees, by 1.2% in absolute terms.

Over the 12 month period to 30 September 2017, the Fund returned 7.1%, net of fees, outperforming the benchmark by 1.9%.

10.2 Asset Allocation

The charts below show that the majority of the Fund is invested in senior secured debt.





Note: Based on information provided by Partners Group.

The table below shows details of the Fund's five largest holdings based on net asset value as at 30 September 2017.

Investment	Description	Type of Debt	Tranche	Maturity Date	Current IRR (%)	NAV (£m)	% of NAV
Mirion Technologies, Inc.	US Electronic company.	Corporate	First Lien	31 Mar 2022	6.1	8.2	5.8%
		Corporate	Second Lien	31 Mar 2023	8.3	6.5	
AS Adventure	Large European specialist multi-brand outdoor retail group.	Corporate	First lien	28 Apr 2022	5.0	14.2	5.6%
Advanced Computer Software	UK software developer.	Corporate	First lien	20 Mar 2022	6.8	13.4	5.3%
Motor Fuel Group	UK petrol station chain	Corporate	First Lien	15 July 2022	4.8	12.5	5.0%
Springer Science + Business Media	Large European global science & business publishing company.	Corporate	First Lien	14 Aug 2020	9.0	9.9	4.3%
		Corporate	Mezzanine	14 Aug 2021	4.7	0.8	

Note: Information provided by Partners Group. Current IRR is net of cost and fees of the investment partner but gross of Partners Group fees. For investments with a holding period less than 12 months, the IRR is not annualised.

10.3 Fund Activity

To date, the Fund has made investments in 54 companies, of which 18 have been fully realised. The 3 year investment period ended in July and the Fund is now in its realisation period. Partners Group will not make any new investments or replace assets if an existing asset is refinanced or repaid early. Any investments realised will be repaid to investors. As a result, Partners Group expects the distribution rate to increase.

Transactions over the quarter include:

- VFS Global Services – an operator of 2,300 visa application centres across 129 different countries. Partners Group provided c. £9.4m first and second lien senior debt as part of a refinancing plan of the company's capital structure. This was the final transaction prior to the end of the investment period.
- Bureau Van Dijk – Partners Group fully realised its investment, resulting in an IRR of 5.4% and investment multiple of 1.14x. This was one of the first investments made in the Fund in 2014.

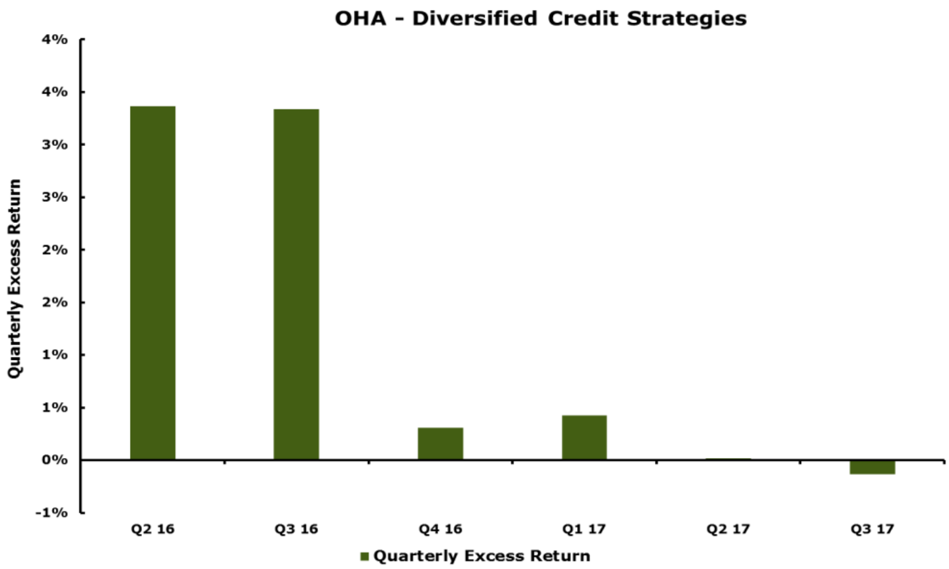
11 Oak Hill Advisors – Diversified Credit Strategies Fund

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.

11.1 Diversified Credit Strategies - Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)
OHA – Gross of fees	1.1	5.7
Net of fees(1)	0.9	5.0
Target	1.1	4.3
Net Performance relative to Benchmark	-0.1	0.6

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



Over the quarter the Diversified Credit Strategies Fund delivered 0.9% net of fees, underperforming its target by 0.1%. Valeant Pharmaceuticals was the best performing holding over the quarter, which has been a core holding in the fund for some time. Ardagh Glass Finance posted strong results following its IPO earlier this year, and Brand Energy & TIBCO Software was also among the key holdings contributing to the positive performance.

On a sector basis, structured finance and healthcare, education & childcare were among the strongest performers. The oil & gas sector was the only sector to deliver a considerable negative return on a relative basis over the quarter (even though OHA only have a small exposure to this sector), utilities delivered a negligibly negative return with all other sectors yielding at least a small positive return.

Over the longer 12 months period to 30 September 2017, the Fund has returned 5.0% net of fees, outperforming its target by 0.6%. Oak Hill's outlook is of a high risk / high volatility market environment with a variety of geopolitical risk sources in 2017 such as the increased tension in the Korean peninsula, President Trump and risks to the recoveries of the US and Chinese economies. The Diversified Credit Strategies Fund is therefore intentionally defensively positioned, holding a high cash allocation which it holds as "dry powder" so that it can take advantage of any future volatility which is expected to cause price drops in the market.

12 Partners Group – Direct Infrastructure

Partners Group was appointed to manage a global infrastructure mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 8% p.a. The manager has an annual management fee and performance fee.

12.1 Direct Infrastructure - Investment Performance to 30 September 2017

Activity

In August 2017, the Fund made a $945m investment in United States Infrastructure Corporation. The Corporation provides ground pipeline detection services for utility and construction companies. Partners Group note that the Corporation has a stable income stream characterised by long term contracts with highly rated utility companies.

Following quarter end, Partners Group has decided to sell one if its original investments in the Fund, Japan Solar General Partner. This is a solar platform that funds the construction and operation of utility-scale solar plants across the Japan. This has only recently been announced and we await further details from Partners Group on the sale, however initial suggestion is that it should realise a 3x money multiple. We will follow up with further details in due course.

Capital Calls

10 July

- The Fund issued a 10th closing notice taking commitments from 14 new investors, totalling c. €250m.
- The Fund also issued a Temporary Return of Capital to existing investors in order to equalise the Fund.
- Total Commitment after the close was €964m.

21 August

- The Fund issued an 11th closing notice and 11th capital call.
- The close added 6 new investors with commitments of c. €125m, taking the total Fund to c. €1,080m.

6 October (post quarter end)

- The Fund issued its 12th capital call, drawing down an additional c. 5.1% (€55m).
- Total drawn down following this call was c. 12.8%

Pipeline

The Fund is approximately half way through its investment period. The Fund has committed c. 40% to new investments and is expected to be c. 40% invested at the end of the year. The manager is at an advanced stage with a number of assets in its pipeline in each of the Europe, Americas and Asia-Pacific regions. These include a wind farm platform in Germany, two data centres in North America and an Australian urban toll road.

Investments Held

The table below shows a list of the investments held by the Partners Group Direct Infrastructure Fund as at 30 September 2017.

Investment	Description	Type	Sector	Country	Commitment Date
Fermaca	Gas infrastructure operator based in Mexico.	Lead	Energy	Mexico	July 2015
Japan Solar General Partner	Solar platform based in Japan	Joint-lead	Solar Power	Japan	July 2015
Silicon Ranch	Solar platform based in US	Lead	Solar Power	USA	April 2016
Axia NetMedie	Internet and data network provider based in Canada and France	Lead	Communication	Canada & France	July 2016
Merkur Offshore	Wind farm based in German North Sea.	Lead	Wind Power	Germany	August 2016
Green Island Renewable Solar Platform	Solar power platform in Taiwan.	Lead	Solar Power	Taiwan	September 2016
High Capacity Metro Trains PPP	Delivery and maintenance of rolling stock for Australian State government.	Lead	Transportation	Australia	November 2016
Raven	Midstream clean energy processing facility in Texas.	Lead	Energy	USA	December 2016
Sapphire Wind Farm	Onshore windfarm in Australia.	Lead	Wind Power	Australia	December 2016
USIC	Utility location services	Lead	Utilities	USA	August 2017

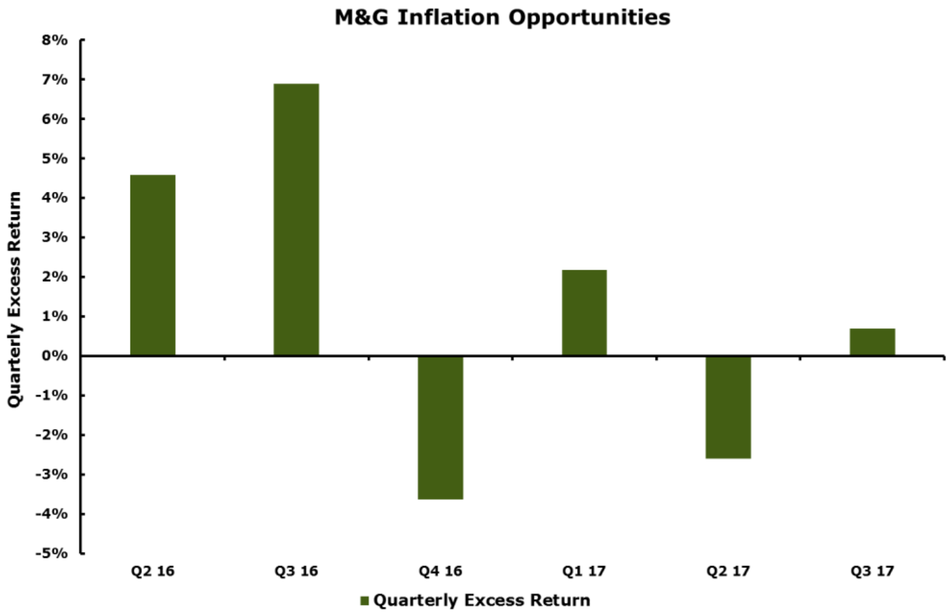
13 M&G – Inflation Opportunities

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

13.1 M&G Inflation Opportunities - Investment Performance to 30 September 2017

	Last Quarter (%)	One Year (%)
M&G Inflation Opportunities – Gross of fees	2.4	3.1
Net of fees(1)	2.3	2.7
Target	1.6	6.3
Net Performance relative to Benchmark	0.7	-3.6

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



Over the third quarter of 2017 the Fund returned 2.3% net of fees, outperforming the target by 0.7%. Over the longer 12 month period to 30 September 2017, the Fund has delivered a return of 2.7% net of fees, underperforming its target by 3.6%.

The Fund's positive performance over the quarter was driven by income strips and long lease property, cushioning the underperformance of index-linked gilts.

13.2 Activity

- The Fund made no new acquisitions over the third quarter of 2017.
- The Secured Property Income Fund ("SPIF") has recently undergone an interview to purchase a c. £250m asset for refurbishment, which the Fund is hopeful will have been successful. This purchase would make a considerable dent to the queue, which currently sits at c. £740m and looks to be increasing.
- The Secured Lease Income Fund ("SLIF") has a number of potential investments under consideration, including a transaction involving a local authority. The manager feels there is room in the portfolio for a higher degree of exposure to high quality credit, which this transaction would provide.

14 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard 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.

14.1 Long Lease Property - Investment Performance to 30 September 2017

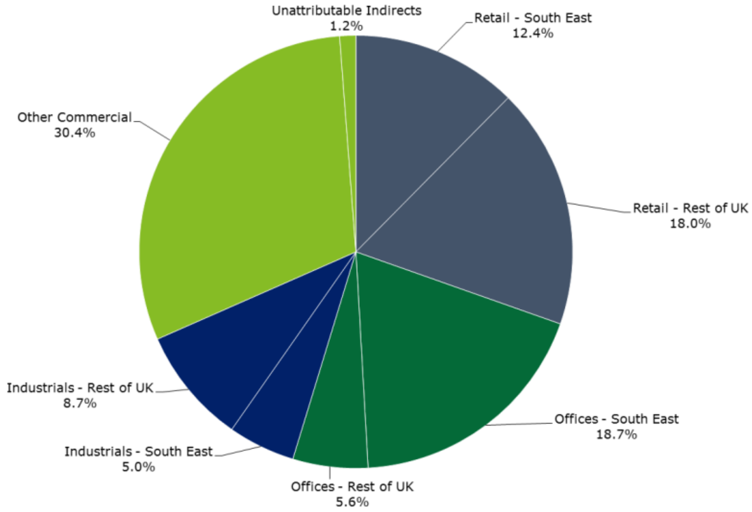
	Last Quarter (%)	One Year (%)
ASI Long Lease Property – Gross of fees	2.7	10.7
Net of fees[(1)]	2.6	10.2
Target	0.1	-1.6
Net Performance relative to Benchmark	2.5	11.8

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

The ASI Long Lease Property Fund returned 2.6% net of fees over the third quarter of 2017, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 2.5% net of fees.

14.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 September 2017 is shown in the graph below.



The Fund's holdings in the office sector have decreased slightly from 24.4% as at 30 June 2017 to 24.3% as at 30 September 2017. Furthermore, the Fund's retail sector holdings have reduced significantly from 32.8% as at 30 June 2017 to 30.4%.

Throughout the quarter, the Fund's industrial weight has reduced from 13.9% to 13.7%, while the "other" weighting has increased from 28.9% to 31.6%, following the purchase of two assets in the healthcare and hotel sectors.

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

Tenant	Total Rent £m p.a.	% Net Income
Tesco	8.1	9.9
Whitbread	6.4	7.8
Sainsbury's	4.9	6.1
Marston's	4.6	5.7
Asda	4.4	5.4
QVC	4.0	4.9
Salford University	3.9	4.7
Save The Children	3.7	4.5
Steinhoff	3.6	4.4
Glasgow City Council	3.5	4.3
Total	**47.0**	**57.7***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 57.7% of the total net income into the Fund. Supermarkets continue to dominate with Tesco, Sainsbury's and Asda contributing 21.4% to the Fund's total net rental income as at 30 September 2017.

The Fund's average unexpired lease term decreased slightly over the quarter from 25.1 years to 24.7 years.

14.3 Sales and Purchases

There were three purchases over the quarter:

- The Fund made its second investment in the healthcare sector during the quarter, with the purchase of two-interconnected properties at 95 and 97 Harley Street, London, for £37.5m. Both buildings are let until 2040 with five-yearly rent reviews or minimum fixed increases. The lease is guaranteed by HCA international, part of the world's largest private hospital group.
- The Fund bought a 152-bed Premier Inn in Birmingham for £26.5m reflecting an initial yield of 4.14%. Originally brought to the market with an unexpired lease term of 13 years, the Fund subsequently completed the purchase on an extended 20-year lease term. Whitbread plc guarantees the lease, with five-yearly rent reviews linked to CPI at a cap and collar of 5% and 0%.

There were no sales during the quarter.

Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail 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
LGIM	Global Equity	22.5%	FTSE All World Index	30/11/15
Ruffer	Dynamic Asset Allocation	10.0%	3 Month Sterling LIBOR +4% p.a.	31/07/08
Insight	Bonds Plus	10.0%	3 Month Sterling LIBOR +2% p.a.	30/09/15
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	7.5%	3 Month Sterling LIBOR +4% p.a.	28/01/15
Oak Hill Advisors	Multi Asset Credit	7.5%	3 Month Sterling LIBOR +4% p.a.	01/05/15
Partners Group	Infrastructure Fund	5.0%	3 Month Sterling LIBOR +8% p.a.	31/08/2015
M&G	Inflation Opportunities	10.0%	RPI +2.5%	01/05/15
Aberdeen Standard Investments	Long Lease Property	5.0%	FT British Government All Stocks Index +2.0%	09/04/15
	Total	**100.0%**		

Note, for the benchmark performance calculation, we assume a 10% allocation to Partners Group MAC and Oak Hill Advisors MAC, and 0% allocation to Partners Group Infrastructure. This will be re-weighted as the Infrastructure Fund is drawn down.

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 – eVestment Attribution

eVestment Attribution provides holdings-based portfolio analysis tool, allowing deeper insight into how portfolio returns are generated, active returns to be de-composed and value-add from sector, style and regional effects to be quantified.

eVestment collects data directly from the investment managers. The calculations are based on holdings and may differ slightly from those provided by the manager.

Definitions

Allocation: Allocation effect captures the value added by the manager relative to the benchmark or peer group from active allocation to sectors, regions and styles. The Allocation effect isolates the manager's active weighting decisions relative to the benchmark or average allocations across a peer group. This captures the manager's 'top-down' skill.

Selection: Selection effect captures the value added by the manager relative to the benchmark or peer group from overweighting or underweighting specific stocks. The Selection effect isolates the manager's active stock selection decisions rather than holding the same securities as the benchmark or peer group. This captures the manager's 'bottom-up' skill.

Activity: This tracks the difference between the linked actual monthly returns and buy-and-hold monthly returns. This captures intra-period trading.

Timing: This measures the combined effects of compounding and changes in allocations and holdings through time.

Limitations

- Attribution analysis is available for a minimum period of one quarter and maximum period of 5 years.
- Only equity products are eligible for attribution analysis (this includes institutional, SMA, and ETF products).
- Holdings data is collected on a quarterly basis. Adjustments are made to account for intra-quarter trading activity.
- Managers are not permitted to view the holdings page for products other than those managed by their firm.

Universe construction

On an ongoing basis, all eVestment Universes are updated & scrubbed approximately 45 days after quarter-end, where several factors are considered, including:

- Screening of fundamental portfolio characteristics vs universe medians; emphasis on outliers, data trends and accuracy;
- Analysis of sector allocations vs existing eVestment style universes; emphasis on significant over/under-exposures to key "style" sectors (technology, financials, etc.);
- Statistical performance and risk screening versus appropriate benchmarks and universe medians, such as returns, standard deviation, tracking error and correlation coefficients over trailing and rolling time periods;
- Review of product narratives detailing a manager's investment strategy, screening process, portfolio construction methodologies and buy/sell disciplines;
- Manager reported capitalisation and style emphasis, or duration, quality and style emphasis and product benchmark.

Security eligibility and weight threshold requirements for individual portfolios apply to universe construction as well. After this process is complete, the eVestment team will collectively review preliminary classifications on new universe entrants and any suggested reclassifications of existing products. Following final agreement among the eVestment team, products are added or moved and new universes are promoted to the live eVestment system for use by all eVestment clients.

Appendix 4 – 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.

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Appendix 3: CASHFLOW MONITORING: July to September 2017

Pension Fund current account cashflow actuals and forecast for period January to December 2017

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast
Balance b/f	**2,474**	**1,677**	**4,366**	**4,988**	**2,950**	**1,650**	**3,350**	**2,050**	**3,750**	**4,202**	**3,652**	**3,102**
Contributions	1,977	2,058	2,020	1,962	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Pensions	-2,837	-2,815	-1,866	-2,585	-2,800	-2,800	-2,800	-2,800	-2,800	-2,800	-2,800	-2,800
Lump Sums	-192	-1,771	-455	-1,325	-450	-450	-450	-450	-450	-450	-450	-450
Net TVs in/(out)	378	10	35	14	75	75	75	75	75	75	75	75
Expenses	-122	-492	-113	-103	-125	-125	-125	-125	625	625	625	625
Net cash in/(out) in month	**-797**	**-3,011**	**-380**	**-2,038**	**-1,300**	**-1,300**	**-1,300**	**-1,300**	**-550**	**-550**	**-550**	**-550**
Net movements from invested cash (see overleaf)		5,700				3,000		3,000				
LCIV Distributions			1,002						1,002			
Balance c/f	**1,677**	**4,366**	**4,988**	**2,950**	**1,650**	**3,350**	**2,050**	**3,750**	**4,202**	**3,652**	**3,102**	**2,552**

Current account cashflow actuals compared to forecast in July to September 2017 quarter

	July-17		August-17		September-17		Jul- Sep 17
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000	£000	£000	£000	£000	£000	£000
Contributions	2,000	1,977	2,000	2,058	2,000	2,020	54
Pensions	-2,800	-2,837	-2,800	-2,815	-2,800	-1,866	881
Lump Sums	-200	-192	-450	-1,771	-450	-455	-1,319
Net TVs in/(out)	378	378	75	10	75	35	-105
Expenses	-125	-122	-125	-492	-125	-113	375
Withdrawals from Fund Managers			5,700	5,700			
LCIV Distributions						1,002	1,002
Totals	**-747**	**-797**	**4,400**	**2,689**	**-1,300**	**625**	**164**

Notes on variances in quarter:

- Pensions in September reflect the re-imbursement of £972k relating to unfunded Teachers Pensions.
- Net TVs In over the quarter were higher than forecast by £0.7m
- London CIV's Ruffer & Majedie income is being paid directly into the Pension fund Nat West bank, in order to reduce the liquidation of assets to cover the net outgoings.

Actuals and forecast of invested cash balance for period July 2017 to June 2018

	Jul17	Aug17	Sep17	Oct17	Nov17	Dec17	Jan18	Feb18	Mar18	Apl18	May18	Jun18
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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	**13,237**	**16,794**	**13,110**	**14,330**	**14,330**	**8,455**	**10,080**	**10,080**	**4,205**	**4,330**	**4,330**	**-1,545**
Interest	1,833	1,552	344			10			10			10
Distributions												
Private Equity		473	876			115			115			115
Multi Asset Credit		6				1,500						1,500
Infrastructure	1,724	346										
Drawdowns paid to Infrastructure fund		-362			-2,875			-2,875			-2,875	
Paid to/from current account (see table above)		-5,700			-3,000			-3,000			-3,000	
Balance c/f	**16,794**	**13,110**	**14,330**	**14,330**	**8,455**	**10,080**	**10,080**	**4,205**	**4,330**	**4,330**	**-1,545**	**80**

The forecast indicates that there should be sufficient cash available to fund pension payments and infrastructure drawdowns until April 2018, however, the cash flow position at this point will need to closely monitored, as Partners Group are only able to advise of capital calls up to a month in advance.

Appendix 4 - Pension Fund risk register, September 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
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	5		Low 10	Strategic Finance Director	Dec 2017
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	4		Medium 12	Strategic Finance Director	Dec 2017
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	Strategic Finance Director	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
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.	3	4		Medium 12	Strategic Finance Director	Dec 2017
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.	1	4		Low 4	Strategic Finance Director	Dec 2017
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.	3	4		Medium 12	Strategic Finance Director	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
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		4	Low 8	Strategic Finance Director	Dec 2017
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	3		Low 9	Strategic Finance Director and Director of People Services	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
9	**STRATEGIC: REGULATION** Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	• Officers are engaging with Fund Managers to understand the position better • Knowledge and Skills Policy in place for Officers and Members of the Committee • Maintain links with central government and national bodies to keep abreast of national issues.	3	5		Medium 15	Strategic Finance Director	Dec 2017
10	**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	4		Low 8	Strategic Finance Director	Dec 2017
11	**OPERATIONAL: GOVERNANCE** 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 (subject to Committee Approval)	3	3		Low 9	Strategic Finance Director	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	I Impact No's			
12	**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 team provides resilience and sharing of knowledge.	3	3		Low 9	Strategic Finance Director and Director of People Services	Dec 2017
13	**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. • Committee and officers scrutinise and challenge advice provided.	2	4		Low 8	Strategic Finance Director	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
14	**OPERATIONAL: GOVERNANCE** London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	• Pension Fund Committee Chair is a member of the Joint Member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. • Tri-Borough Strategic Finance Director is a member of the Officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.	2	4		Low 8	Strategic Finance Director	Dec 2017
15	**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	4		Medium 12	Strategic Finance Director and Director of People Services	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
16	**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.	2	2		Low 4	Strategic Finance Director and Director of People Services	Dec 2017
17	**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	1		Low 2	Strategic Finance Director and Director of People Services	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
18	**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. • Periodic internal audits of Pensions Finance and HR teams.	4	4		High 16	Strategic Finance Director and Director of People Services	Dec 2017
19	**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.	2	5		Low 10	Strategic Finance Director and Director of People Services	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
20	**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 supplier payments • Process in place for Surrey CC to generate lump sum payments to members as they are due. • Officers undertaking additional testing and reconciliation work to verify accounting transactions	2		5	Low 10	Strategic Finance Director	Dec 2017
21	**OPERATIONAL: ADMINISTRATION** Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	• In the event of a pension payroll failure we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1		5	Low 5	Director of People Services	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
22	**OPERATIONAL: ADMINISTRATION** Failure to pay pension benefits accurately leading to under or over payments.	• There are occasional circumstances where under or over payments are identified. Where under payments occur arrears are paid as soon as possible usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.	2		3	Low 6	Director of People Services	Dec 2017
23	**OPERATIONAL: ADMINISTRATION** Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	• Pension administration records are stored on the surrey servers they have a disaster recovery system in place and records should be restored within 24 hours of any issue, files are backed up daily.	1		5	Low 5	Director of People Services	Dec 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
24	**OPERATIONAL: ADMINISTRATION** Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	• Surrey CC administers pensions for Surrey, East Sussex and is taking on our Tri-Borough partners. They have a number of very experienced administrators two of whom TUPED to them from LPFA with our contract. Where issues arise the Pensions Liaison Officer reviews directly with the Pensions Manager at Surrey. More detailed performance reports are being developed.	3		3	Low 9	Director of People Services	Dec 2017
25	**Operational: Administration** BT unable to provide monthly or end of year interface files in a format suitable for Surrey CC to update service records and undertake day to day operations. Inaccuracies in service records held on the pensions administration system may impact on the triennial funding valuation at March 2016 and notifications to starters and leavers.	• Issue has been escalated by the Chief Executive for high level resolution with BT • Test files are currently with SCC • Actuary undertakes data cleansing on the service records and is confident this will mitigate the inaccuracies in service records	1		5	Low 5	Director of People Services	Dec 2017

Appendix 5: Pension Fund Voting Summary: July to September 2017

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.

Majedie voting information is not currently available.

LGIM, who manage the global passive equity portfolio on behalf of the Fund, undertake extensive engagement with the companies they are invested in as well as voting. Below is a summary of the meetings they voted at and the engagement they undertook during the July to September 2017 quarter.

VOTING	
No. of companies	472
No. of meetings	624
No. of resolutions	5,282

ENGAGEMENT	
No. of companies	56
No. of meetings	66
Top 3 themes	Strategy, Board Composition, Succession Planning

Appendix 6

Forward Plan for Pensions Board – February 2018

Area of work	7th Feb 2018	TBC Sep 2018
Governance	Quarterly Update Pack Pension Sub- Committee minutes	Quarterly Update Pack Pension Sub-Committee minutes
Investments	LCIV Governance	Fund Manager monitoring
Funding		

London Borough of Hammersmith & Fulham **PENSIONS BOARD** **7 February 2018**	hammersmith & fulham
PENSIONS ADMINSTRATION UPDATE	
Report of the Director of Human Resources	
Open report	
Classification: For information **Key Decision:** No	
Wards Affected: None	
Accountable Director: Mark Grimley, Director of Human Resources	
Report Author: David Coates, HR & Payroll Consultant	**Contact Details:** Tel: 020 8753 1885 E-mail: david.coates@lbhf.gov.uk

EXECUTIVE SUMMARY

This report provides performance data from the Surrey County Council Pensions Administration Team.

LIST OF APPENDICES:
Appendix 1: Surrey County Council Pensions Administration update

LBHF PENSION BOARD – 7.2.2018

SURREY COUNTY COUNCIL PENSIONS ADMINISTRATION TEAM –
PERFORMANCE ON LBHF WORK TO 30 SEPTEMBER 2017 (AND 31 DECEMBER 2017 FOR INHERITED HISTORIC CAPITA BACKLOG)

1) Business As Usual Performance

Helpdesk Total Queries Handled	First Point Fix
April 2017 - 465	84%
May 2017 - 426	83%
June 2017 - 489	85%
July 2017 – 498	77%
August 2017 – 446	77%
September 2017 – 501	79%

Annual Exercises	Target Date	Status
Annual Benefit Statements Issued to Active members	31 August each year	**Achieved**
Annual Benefit Statements Issued to Deferred members	31 August each year	**Achieved**
P60s Issued to Pensioners	31 May each year	**Achieved**
Apply Pensions Increase to Pensioners	April each year	**Achieved**
Pensioners Newsletter	April each year	**Not achieved**

Monthly Pensioner Payroll	Target Date	Status
Full reconciliation of payroll and ledger report provided to Borough	Last day of month	**Achieved**
Issue of monthly payslips	3 days before pay day	**Achieved**
RTI file submitted to HMRC	3 days before pay day	**Achieved**
BACS File submitted for payment	3 days before pay day	**Achieved**

Description	Target time (wkg days)	Target	Actual Score Q1 Apr-Jun 2017	Actual Score Q2 Jul-Sep 2017	No of cases finished Q1 + Q2	No of cases late Q1 + Q2
Death Benefits **Write to dependant and provide relevant claim form**	5 days	**100%**	**100%**	**100%**	2	0
Set up any dependants benefits and confirm payments due	10 days	**100%**	**100%**	**100%**	4	0
Retirements **New retirement benefits processed for payment following receipt of claim forms**	7 days	**100%**	**90%**	**92%**	64	6
Deferred retirement benefits processed for payment following receipt of claim forms	7 days	**100%**	**88%**	**90%**	53	6
Refunds of Contributions Refund paid following receipt of claim form	10 days	**100%**	**92%**	**90%**	58	5
Deferred Benefits Statements sent to member following receipt of leaver notification	20 days	**100%**	**67%**	**58%**	30	5
Estimates **Early Retirement requests from employer**	10 days	**100%**	**81%**	**80%**	26	5
Projections **Requests from employees**	10 days	**100%**	**58%**	**51%**	28	16
New Joiners New starters processed	30 days	**100%**	**100%**	**100%**	67	0

Description	Target time (wkg days)	Target	Actual Score Q1 Apr-Jun 2017	Actual Score Q2 Jul-Sep 2017	No of cases finished Q1 + Q2	No of cases late Q1 + Q2
Transfers In Quote estimate to scheme member (includes interfunds)	20 days	**100%**	**100%**	**100%**	7	0
Transfers-in payments processed	20 days	**100%**	**N/A**	**N/A**	0	0
Transfers Out Transfers-out quotations processed (includes interfunds)	20 days	**100%**	**82%**	**89%**	20	3
Transfers out payments processed	20 days	**100%**	**100%**	**100%**	13	0

2) Inherited Capita Backlog Performance to 31 December 2017 (Quarter 3)

Item	No. of cases inherited from Capita	No. of cases completed Q3 (Q1 in brackets)	No. of cases outstanding Q3 (Q1 in brackets)	Comments
Deferreds not brought into payment	311 (100%)	Q3 – 173 (56%) Q1 – 154 (50%)	Q3 – 138 (44%) Q1 - 157 (50%)	138 cases being traced as member could not be contacted at their last known address.
Historic leaver queries	576 (100%) *	Q3 – 436 (76%) Q1 – 387 (67%)	Q3 – 140 (24%) Q1 - 189 (33%)	*Revised from original 436 cases
Third Party Hold cases	584 (100%)	Q3 – 333 (57%) Q1 – 115 (20%)	Q3 – 251 (43%) Q1 - 469 (80%)	
Deferred member recalculations (pension not due)	9300 (100%)	Q3 – 1974 (21%) Q1 – 1862 (20%)	Q3 – 7326 (79%) Q1 - 7438 (80%)	