London Borough of Hammersmith & Fulham

Pensions Sub-Committee

Agenda

Wednesday 13 February 2019 at 7.00 pm
Committee Room 3 - Hammersmith Town Hall

MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy Councillor Rebecca Harvey Councillor Asif Siddique	Councillor Matt Thorley
Co-optee	
Michael Adam	

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Members of the public are welcome to attend and the building has disabled access.

Date Issued: 05 February 2019

London Borough of Hammersmith & Fulham

Pensions Sub-Committee
Agenda

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.

6. FIXED INCOME STRATEGY REVIEW 72 - 76

This paper updates Pensions Sub-Committee Members on an overview of the current fixed income portfolio and its performance.

7. TRAINING PLAN 77 - 81

The Pensions Sub-Committee is recommended to note and comment on the updated Knowledge and Skills Self-Assessment training form.

8. EXCLUSION OF THE PUBLIC AND PRESS

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

9. FIXED INCOME STRATEGY REVIEW - EXEMPT ELEMENTS

This report contains the exempt elements of item 6.

London Borough of Hammersmith & Fulham

Pensions Sub-Committee

Minutes

Tuesday 20 November 2018

PRESENT

Committee members: Councillors Iain Cassidy, Rebecca Harvey, Asif Siddique, and Matt Thorley

Co-opted members: Michael Adam

Officers: Phil Triggs (Director of Treasury & Pensions), Matthew Hopson (Strategic Investment Manager), Timothy Mpofu (Pension Fund Manager), Hitesh Jolapara (Strategic Director of Finance & Governance), Trevor Webster (Human Resources), Lesley Bell (Business & Performance Manager), and Amrita Gill (Committee Co-ordinator)

Guests: Kevin Humpherson (Deloitte) James Sparshott, Laura Brown, Graham Wardle (Legal & General) Faith Ward (Brunel Pension Partnership)

1. MINUTES OF THE PREVIOUS MEETING

RESOLVED
The minutes of the meeting held on 4 September 2018 were approved and signed by the Chair.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. EQUITY PROTECTION STRATEGY

Laura Brown, Legal & General - Investment Management (LGIM) provided a presentation and noted the following points:

- Outlined the reason LGPS clients were protecting their equity portfolios

- LGIM had a readymade pooled solution that was easy to implement subject to a reasonable fee
- As equity markets had risen, cost of protection had fallen
- Part of the strategy was to balance protection cost whilst retaining equity above 9% pa & minimising tracking error through aligning regional allocation to underlying equity benchmark
- Funds controlled their own equity protection and managed how this was allocated. Furthermore, Funds could also adjust their protection strategy as underlying equities changed. However, LGIM managed collateral requirements using the index equities holdings as well as protection contracts. In addition, index equities could be transformed into cash futures

Kevin Humpherson, Deloitte asked what were the key factors that contributed to driving the protection costs down. Laura Brown explained that interest rates had dropped, this therefore had an impact on costs.

Phil Triggs, Director of Treasury & Pensions asked for LGIM's views around the positioning of the current market. Graham Wardle, LGIM explained that that there needed to be sufficient return on the Fund's equities – markets were currently challenging, especially with the volatility surrounding the withdrawal of the UK from the European Union. Therefore, as a result it was difficult to diversify equities in this market.

Hitesh Jolapara, Strategic Director of Finance & Governance asked how many Public-Sector funds had opted for this strategy. In response Graham Wardle said that 6 LGPS funds had signed up for an equity protection strategy with LGIM over the last year.

Kevin Humpherson asked for clarification around the cost implications and management fees involved if the Council had decided to consider this option. Graham Wardle explained that the index equity would have the same fee as agreed with LCIV. This would include a standard cost of 4.5 basis points on the amount of equity available. In addition, there would be an implementation fee.

Phil Triggs, referring to page 11 of the agenda pack explained that officers had various discussions with advisors on whether adopting this strategy would be beneficial for the Fund, however concluded that it would not be advisable to implement any form of equity protection strategy at this time.

Michael Adam, Co-opted Member noted that in the first quarter markets had fallen at a similar time. He questioned whether it was appropriate not to form an equity protection strategy given that there was still some risk for markets to fall further. However, he noted that the advice recommended by advisors was also an essential element to be considered prior to making a decision. Kevin Humpherson explained that at this stage it was difficult to predict the future of equities due to the complex nature of the current market. Furthermore, the Council's Pension Fund had a low allocation to equities in comparison to the wider LGPS scheme, already having one of the lowest volatilities of the last ten years when compared to the LGPS universe.

The Chair explained that the Committee had noted the different types of equity protection strategies available to the Council and considered advice from professionals advising them of the potential solutions and whether they were appropriate for the Council's Pension Fund. However, the Sub-Committee unanimously agreed that adopting this strategy would not be beneficial for the Fund at this stage.

RESOLVED:

That the Sub-Committee noted the different types of equity strategies available and approved that the Pension Fund would not be pursuing any form of equity protection strategy at this time

5. <u>CARBON EXPOSURE AND EQUITY STRATEGY</u>

Faith Ward, Brunel Pension Partnership (BPP) gave a presentation highlighting BPP's approach to responsible investment and stewardship. She showed slides that outlined the different asset classes and reporting strategies. BPP had been running for two years and used environmental, social and governance (ESG) principles to help reduce risk - using an ethical and responsible investment approach whilst monitoring the financial implication for Funds. An update on the different group of Funds as well as the different investment principles was provided. There were 17 different sustainable development goals available to different Funds that contributed towards tangible progress.

Faith Ward explained that BBP was set up to implement an investment strategy of each Fund by exploring options for pooling investment assets. However, if any concerns were discovered, BBP would work in collaboration with the selected managers to resolve these issues. The objective of pooling assets was to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. ESG was constantly moving directions due to a challenging market – managers needed to regularly review these issues and pressures to maintain the investment processes.

Councillor Matt Thorley thanked Faith Ward for her presentation and experiences shared on ESG integration. He noted that it was very informative and there was a lot of information delivered that needed to be considered. Furthermore, he asked why there was no mention of companies such as banks throughout the presentation. In response Faith Ward explained that the main area of focus for BPP was mobile ecosystems and Google rather than banks.

The Chair asked for details to be provided on the different Funds which contributed to ESG. Faith Ward, explained that there was a total of 10 pools that were managed by BPP and majority of them were heavily involved in the responsible investment strategy.

The Chair asked for clarification around how much work was being carried out individually by each Fund and the contributions made by BPP. In response Faith Ward explained that BPP supported the asset allocation strategy (developing their thinking). In addition, manager selection was also BPP's responsibility. Information was fed back to each Fund on a regular basis by providing quarterly reporting updates.

Phil Triggs, Director of Treasury & Pensions referring to page 19 of the agenda pack noted that the Fund's investment consultant had met with FTSE Russell and prepared a short paper (Appendix 1) on a comparison between the two managers. He explained that MSCI World Low Carbon was well established and the main provider to LGPS funds. It also had a preferential fee rate with the Fund's existing provider, Legal and General. The FTSE Russell World Low Carbon index took account of green revenues within such stocks as Royal Dutch, Shell, and BP.

Kevin Humpherson, Deloitte explained that given the lack of formal reporting requirements on carbon emissions, information gathered from FTSE was often inconsistent, incomplete, and lacking in quality. Therefore, their data collection process was very manual and data interpretation was time consuming. This was expected to change in the future as reporting requirements became more formalised. For these reasons as well as considering implementation, product availability and fees, he was of the view that MSCI Low Carbon Target Fund with LGIM was a more appropriate low carbon option for the Fund.

The Chair queried the timescales around the implementation to MSCI Low Carbon and the fees involved. Kevin Humpherson explained as the Fund's current passive equity allocation was with LGIM, moving to MSCI Low Carbon Fund would not involve any on-boarding documentation or set up work. There was a management fee of 2 basis points and the benefit of a preferential fee agreement with the London CIV.

Members felt that after taking into consideration all the reasons above, moving to MSCI Low Carbon would be the most appropriate option for the Council. They requested that the transfer took place when the overall asset allocation was considered.

The Chair thanked Faith Ward for the presentation and the contributions made to the meeting.

RESOLVED:
That the Sub-Committee approved the selection of the MSCI World Low Carbon Target Index.

6. CHANGES TO EMPLOYEE PENSIONS CONTRIBUTION BANDINGS CALCULATIONS

Matt Hopson, Strategic Investment Manager presented the report and explained that there would be some financial impact to the Pensions Fund, arising from the move to the Hampshire County Council Integration Business Centre (IBC). He explained that there would be some changes to how employee contributions banding was calculated and the effect of auto-enrolment for some employees where opt out dates and forms were not held on Agresso. Members were automatically enrolled onto the Pension Scheme when employment commenced, however had the right to opt out of the scheme if they chose to, by signing an opt out form.

RESOLVED:
That the Sub-Committee noted the update

7. PIRC PERFORMANCE REPORT 2017/18

Matt Hopson, Strategic Investment Manager provided an overview on the investment performance of the Fund during the financial year 2017/18. He explained that the average local authority Fund produced a return of 4.5%. In comparison the Council's Pension Fund produced 1.7% which was below average and ranked in the 95th percentile. The reason for the lower return was due, in part to the Fund's lower equity exposure and much higher bond allocation when compared to the structure of the average LGPS fund. However, the Council's Fund had managed to deliver a much higher long-term return than average at a relatively low level of volatility. This was the optimal combination which would suggest strong Fund stewardship over the long term.

Furthermore, the average LGPS fund delivered an annualised performance of 9% per annum driven largely by strong long-term equity performance. Bonds had also performed well over the longer term assisted by 'quantitative easing'.

RESOLVED:
That the Sub-Committee noted the update.

8. PENSION FUND QUARTERLY UPDATE PACK

Kevin Humpherson Deloitte, presented the report for the quarter ending 30 September 2018.

Michael Adam, Co-opted Member questioned why had there been a disappointing performance delivered by the Insight fund. Kevin Humpherson said that this was predominately due to timing and the Fund had underperformed solely due to the challenging market conditions. There were no issues in relation to the management of the Fund. Deloitte were in the process of conducting a review of the product. Furthermore, a broader review of all Funds would be conducted and a report would be brought to a future Sub-Committee meeting.

Action: Kevin Humpherson

Matt Hopson explained that the Pensions Fund risk register (Appendix 4) had been revamped to show a more meaningful assessment of risks and the actions taken to mitigate them. This had led to the identification of additional risks in investment governance and administrative areas. Mat Hopson in response to a question, confirmed that the UK's departure of the European Union had been included as a risk (Risk 8).

The Chair requested that the Audit Committee and climate risk to be added to the risk register.

Michael Adam referring to page 82 of the agenda pack, requested that a summary of the annual net flow deficit to be included in the cashflow breakdown and brought to the next Sub-Committee meeting.

Action: Matt Hopson

RESOLVED:
That the Sub-Committee noted the update**.**

9. GOVERNMENT ACTUARIES DEPARTMENT (GAD) REPORT

Phil Triggs, Director of Treasury & Pensions introduced the item and noted that the report and appendices provided an update on the GAD report on the 2016 LGPS triennial actuarial valuation outcome.

Hitesh Jolapara, Strategic Director of Finance & Governance explained that the original report was uncomplimentary of the LGPS and not reflective of the majority of Funds being in a strong position. Some of the tests were regarded by LGPS actuaries as being not fit for purpose. Upon receiving notable challenges from various actuarial firms, GAD revised their report reflecting the improving funding positions across the board. The Council received green flags across the board on the GAD's various tests. This reflects the Fund was in a relatively strong position.

RESOLVED:
That the Sub-Committee noted the update

10. LGPS ADMINISTRATION PERFORMANCE UPDATE REPORT

Trevor Webster, Human Resources explained that the day to day administration of the Council's LGPS was delegated to Surrey County Council (SCC) under a section 1010 agreement effective from 1 September 2015.

In 2016 it was agreed that SCC would focus on resources on the resolution of queries at the first point of contact via a dedicated help desk to enhance the user experience. As a result, the rate of first point of contact resolution based on an average of 500 queries per month had increased to 93%.

Councillor Rebecca Harvey asked what was the reason for the number of Transfers in and out to be considerably lower than the rest of the data. Trevor Webster explained that the performance was recognised as unacceptable. A lot of time was spent cleansing and rectifying the data inherited from Capita which had resulted in a back log that needed to be reviewed. However, SCC were creating a specialist team to deal with Transfers. Transfers were recognised as being complex calculations that included receiving information from other organisations and therefore required a dedicated resource. The Council expected that this change would result in KPI ‘transfers’ being met going forward.

Trevor Webster noted that KPI information would be provided by SCC monthly from December 2018 rather than quarterly, so that performance could be tracked in a timely way. There had also been some service improvements which focused on enhancing the scheme members and employer experience, two new portals had been launched.

In Q2 SCC had conducted a day of 1-2-1 sessions for staff who self-nominated and there were plans to launch group engagement events linked to the wider HR strategy early in 2019.

The Chair asked if plans to create a national dashboard to enable people to view and track their pensions via the national portal were still in place. Phil Triggs explained that the LGPS data would feed into the new national system, however timescales around this were still to be confirmed.

RESOLVED:
That the Sub-Committee noted the update

11. AMENDMENTS TO THE PENSION BOARD TERMS OF REFERENCE

Trevor Webster, Human Resources explained that the levels of expertise and continuity required from all members of the Pension Board had resulted in the original requirement for representatives to serve a fixed term of the office of just two years had proven impractical. It was therefore recommended that the term of office should be increased to four years. In addition, there was no conflict with the Public Services Pensions Action 2013 regarding this proposal.

Michael Adam, Co-opted Member highlighted that it would be good practice to invite a trade union representative to attend future Pensions- Sub Committee meetings.

Action: Amrita Gill

RESOLVED:
That the Sub-Committee approved an amendment to the Pension Board Terms of Reference to increase the Employer and Employee representatives fixed term of office from two years to four years. The Employers representative with a start date of May 2018 to synchronise with the Councils election cycle and the Employees representatives to have a start date of July 2015

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

Chair ....

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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.

Agenda Item 4

London Borough of Hammersmith & Fulham **PENSIONS SUB-COMMITTEE** **13 February 2019**	h&f hammersmith & fulham
PENSION FUND QUARTERLY UPDATE PACK	
Report of the Strategic Director of Finance & Governance	
Open Report	
Classification: For Information **Key Decision: No**	
Wards Affected: None	
Accountable Director: Phil Triggs, Director of Pensions and Treasury	
Report Authors: Tim Mpofu, Pension Fund Manager	**Contact Details:** Tel: 0207 641 6308 E-mail: tmpofu@westminster.gov.uk

1. EXECUTIVE SUMMARY

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

a. Overall performance for the quarter ended 31 December 2018.
b. Cashflow update and forecast.
c. Assessment of risks and actions taken to mitigate these.
d. Sub-Committee's strategic forward plan.

2. RECOMMENDATIONS

2.1. The Pension Fund Sub-Committee is recommended to note this report.

3. LBHF PENSION FUND QUARTERLY UPDATE – Q3

3.1. This report and associated appendices make up the pack for the quarter ended 31 December 2018. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.

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

3.3. The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to September 2019. An analysis of the differences between the actuals and the forecasts for the quarter is also included.

3.4. Appendix 4 contains the Pension Fund's Risk Registers which were revamped to show a more meaningful assessment of risks and the actions taken to mitigate them. Two additional risks have been added to the register in this quarterly report.

3.5. A summary of the voting undertaken by the investment managers running segregated equity portfolios forms Appendix 5. This includes both the London CIV Majedie and Ruffer funds in addition to the LGIM Global data. Although the Fund switched its passive equity holdings during the quarter, the voting data for LGIM has been consolidated under the fund manager's name.

3.6. Appendix 6 gives an update on the Forward Plan as at 31 December 2018.

3.7. At its last meeting, the Pensions Sub-Committee approved the transition of the Fund's passive equity holdings to the MSCI Low Carbon Index Fund under the LGIM mandate. This switchover was completed on 18 December 2018.

4. LEGAL IMPLICATIONS

4.1. None.

5. FINANCIAL IMPLICATIONS

5.1. Information only.

6. IMPLICATIONS FOR BUSINESS

6.1. None.

7. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

7.1. None

LIST OF APPENDICES:

Appendix 1: Scorecard at 31 December 2018
Appendix 2: Deloitte Quarterly Report for Quarter Ended 31 December 2018
Appendix 3: Cashflow Monitoring Report
Appendix 4: Pension Fund Risk Register
Appendix 5: Pension Fund Voting Summary
Appendix 6: Pensions Sub-Committee Forward Plan

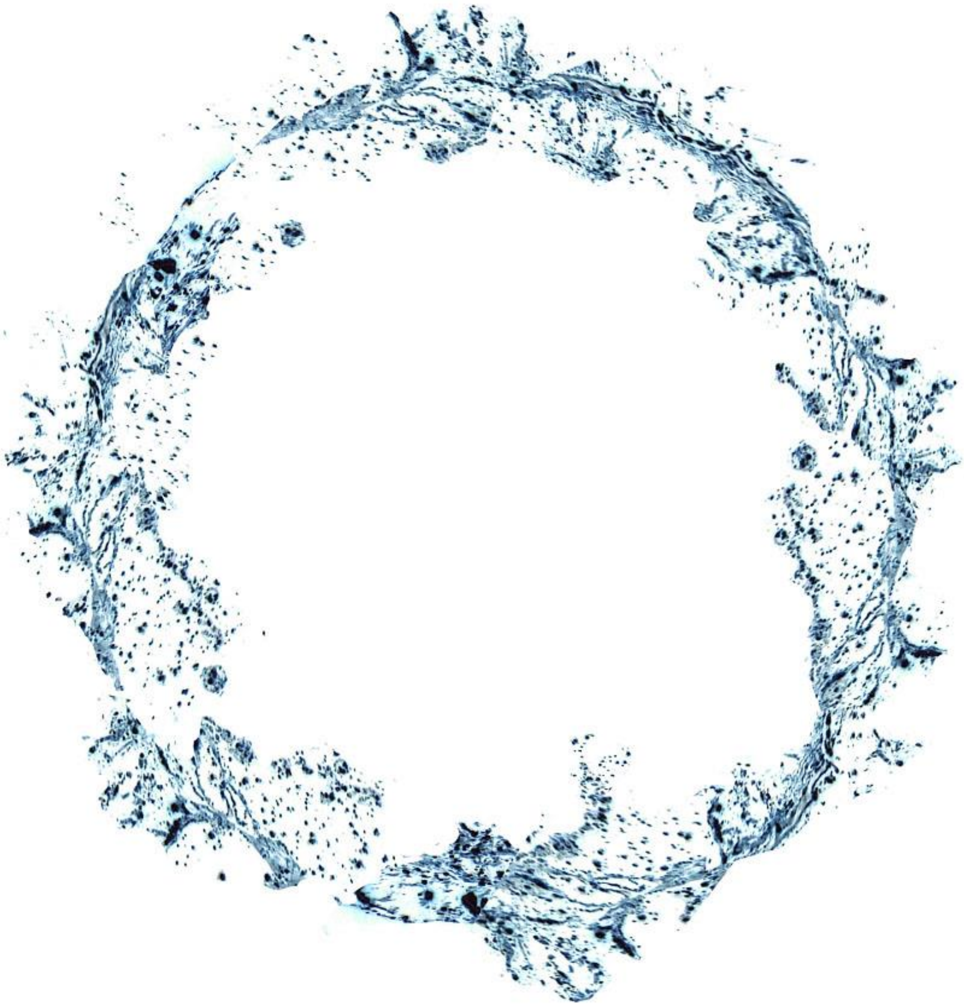
Appendix 1: Scorecard at 31 December 2018

HAMMERSMITH AND FULHAM PENSION FUND QUARTERLY MONITORING

	Mar 18	Jun 18	Sep 18	Dec 18	Comment/ Report Ref if applicable
Value (£m)	997.6	1,035.3	1,055.6	986.6	Deloitte Report Gross of Fees
% return quarter	-2.5%	4.1%	1.6%	-5.7%	
% return one year	1.7%	5.2%	5.8%	-2.8%	
LIABILITIES					
Value (£m)	1,073.6	1,045.9	1,057.3		* The actuarial report for Dec 18 to be provided as an additional appendix at the meeting
Deficit (£m)	52.0	38.2	27.6		
Funding Level	95%	96%	97%		
MEMBERSHIP					
Active members	4,166	4,307	4,306	4,306	
Deferred beneficiaries	6,603	5,752	5,703	5,703	
Pensioners	4,920	4,986	5,018	5,018	
Employers	41	61	61	61	
CASHFLOW					
Cash balance	£4.3m	£6.6m	£4.1m	£0.8m	Appendix 3
Variance from forecast	£0.6m	£0.6m	£0.4m	-£0.6m	
RISK					
No. of new risks	0	0	39	2	Appendix 4 – Risk Register
No. of ratings changed	0	0	0	0	
VOTING					
No. of resolutions voted on by fund managers	5,711	5,711	4183	3182	Appendix 5 – LGIM, Ruffer & Majedie
LGPS REGULATIONS					
New consultations	None	None	None	MHCLG Pooling	Included in Item 2
New sets of regulations	None	None	IFRS9	None	

*The actuarial report to be provided as an additional appendix at the meeting

Deloitte.



London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 31 December 2018

Deloitte Total Reward and Benefits Limited
February 2019

Contents

1 Market Background

1.1 Three months and twelve months to 31 December 2018

Global equity markets experienced a sharp downturn over the fourth quarter driven with economic data signalling a slowdown in economic activity across all global regions, fuelling fears of declining global growth. In addition, the potentially detrimental impact of monetary tightening, particularly in the US, and the ongoing US-China trade war continue to weigh on investors.

The UK equity market also fell over the fourth quarter too as the FTSE All Share Index delivered a negative return of -10.2%. As well as the aforementioned global slowdown and trade war fears, UK markets were also impacted by further uncertainty over Brexit as the Prime Minister struggled to gain support from MPs for her deal and the risk of a 'cliff-edge' no deal Brexit became more pronounced.

The FTSE 100 Index fell by 9.6% while the FTSE 250 lost 13.3% over the quarter as smaller more UK-centric companies suffered most from the Brexit related uncertainty, whilst larger international companies benefitted, to some extent, from sterling weakness which boosted the value of their overseas revenues. At the sector level, Health Care was the best performing sector returning -3.2%, while Industrials was the worst performing sector delivering a return of -17.5%.

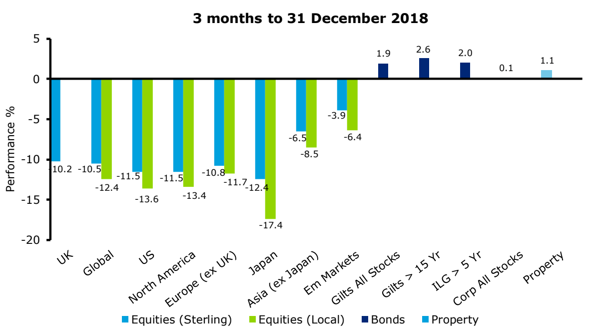
Global markets as a whole underperformed UK equities in both local currency terms (-12.4%) and sterling terms (-10.5%). The weakening of sterling over the quarter meant that currency hedging detracted from returns delivered to investors over the quarter. All regions experienced negative returns, with Japan (-17.4%) and the US (-13.6%) the worst performers when measured in local currency terms.

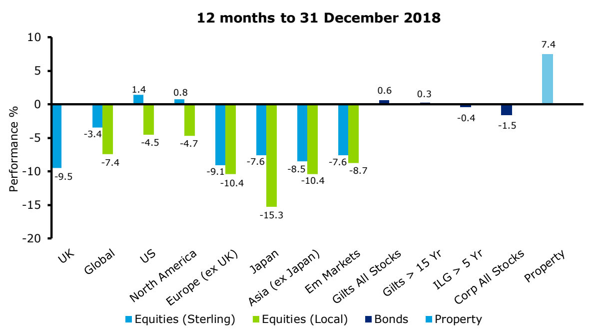
Nominal gilt yields fell across the curve and the All Stocks Gilts Index delivered a positive return of 1.9% over the fourth quarter. Real yields also fell with the Over 5 Year Index-Linked Gilts Index delivering a return of 2.0% over the same period. Credit spreads widened by around 30 bps over the fourth quarter, offsetting the effect of falling gilt yields. Corporate bond returns were broadly flat with the iBoxx All Stocks Non Gilt Index returning 0.1% over the quarter.

Over the 12 months to 31 December 2018, the FTSE All Share delivered a negative return of -9.5% following the sharp falls over the fourth quarter. At the sector level, all sectors experienced a negative absolute return with the exception of Health Care which returned 9.4%, whilst Telecommunications was the poorest performing sector delivering a negative return of -28.2%. Global equity markets outperformed the UK in both local (-7.4%) and sterling terms (-3.4%), driven by particularly strong performance in the US prior to the last 3 months of the year.

UK nominal gilts achieved modest returns over the 12 months to 31 December 2018, with income offsetting the slight increase in yields. The All Stocks Gilts Index returned 0.6% and the Over 15 Year Gilts Index returned 0.3% over the year. UK index-linked gilts delivered negative returns as the real yield curve steepened over the year. Real yields fell at shorter durations but rose at longer maturities with the Over 5 Year Index-Linked Gilts Index returning -0.4%. Corporate bonds underperformed gilts over the year to 31 December 2018 as credit spreads widened. The iBoxx All Stocks Non Gilt Index delivered a negative return of -1.5% over the year.

The IPD UK Monthly Property Index returned 1.1% for the quarter and 7.4% over the year to 31 December 2018. Whilst demand for UK property from both UK and overseas investors remains, and was the main driver behind the strong 12 month returns, the weaker performance in the fourth quarter suggests the property market is beginning to cool in light of Brexit uncertainty and a slowing UK economy.





2 Performance Overview

2.1 Investment Performance to 31 December 2018

Breakdown of Fund Performance by Manager as at 31 December Fund	Manager	3 month	1 year	2 year p.a.	3 year p.a.	5 year p.a.
Equity Mandate						
	Majedie	-11.2	-11.4	-3.6	4.2	3.6
FTSE All Share		-10.1	-9.4	1.2	6.0	4.0
Difference		-1.0	-2.1	-4.8	-1.8	-0.4
	LGIM Global Equity**	-8.4	-1.2	6.0	n/a	n/a
FTSE All World		-8.4	-1.2	6.1	n/a	n/a
Difference		0.0	0.0	0.0	n/a	n/a
Dynamic Asset Allocation Mandates						
	Ruffer	-5.6	-7.3	-3.4	1.6	2.4
3 Month Sterling LIBOR + 4% p.a.		1.2	4.7	4.5	4.5	4.5
Difference		-6.8	-12.0	-8.0	-2.9	-2.1
	Insight	-0.9	-3.7	-2.0	-0.6	n/a
3 Month Sterling LIBOR + 2% p.a.		0.7	2.7	2.5	2.5	n/a
Difference		-1.6	-6.5	-4.5	-3.1	n/a
Private Equity						
	Invesco	8.4	27.0	11.8	16.9	20.7
	Unigestion	5.8	11.2	9.5	11.5	9.1
Secure Income						
	Partners Group MAC	1.4	4.7	4.5	5.4	n/a
3 Month Sterling LIBOR + 4% p.a.		1.2	4.7	4.5	4.5	n/a
Difference		0.2	0.0	0.0	0.9	n/a
	Oak Hill Advisors	-4.1	-3.2	0.2	4.1	n/a
3 Month Sterling LIBOR + 4% p.a.		1.2	4.7	4.5	4.5	n/a
Difference		-5.2	-7.9	-4.3	-0.4	n/a
	Partners Group Infra	6.6	10.4	2.4	4.0	n/a
	Aviva Infra Income	5.3	n/a	n/a	n/a	n/a
Inflation *Protection*						
	M&G	0.6	4.2	5.7	9.9	n/a
RPI + 2.5% p.a.		1.1	5.2	5.9	5.6	n/a
Difference		-0.5	-1.0	-0.2	4.3	n/a
	Aberdeen Standard	1.6	7.0	8.9	7.6	n/a
FT British Government All Stocks		2.4	2.6	3.2	6.1	n/a
Difference		-0.8	4.4	5.7	1.5	n/a
Total Fund		-5.8	-3.2	1.6	6.5	6.6
*Benchmark**		-3.3	0.9	4.7	7.3	5.2
Difference		-2.4	-4.1	-3.0	-0.8	1.4

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.
(**) The LGIM Global Equity allocation was transferred to the LGIM Low Carbon Target Fund on 18 December 2018. Returns and benchmark returns reflect LGIM Global Equity performance and benchmark over the quarter to 18 December 2018 and LGIM Low Carbon Target Fund returns and benchmark from 18 December to 31 December 2018.

3 Total Fund

3.1 Investment Performance to 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund – Gross of fees	-5.7	-2.8	2.1	6.9	7.0
Net of fees(1)	-5.8	-3.2	1.6	6.5	6.6
Benchmark(2)	-3.3	0.9	4.7	7.3	5.2
Net performance relative to benchmark	-2.4	-4.1	-3.0	-0.8	1.4

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

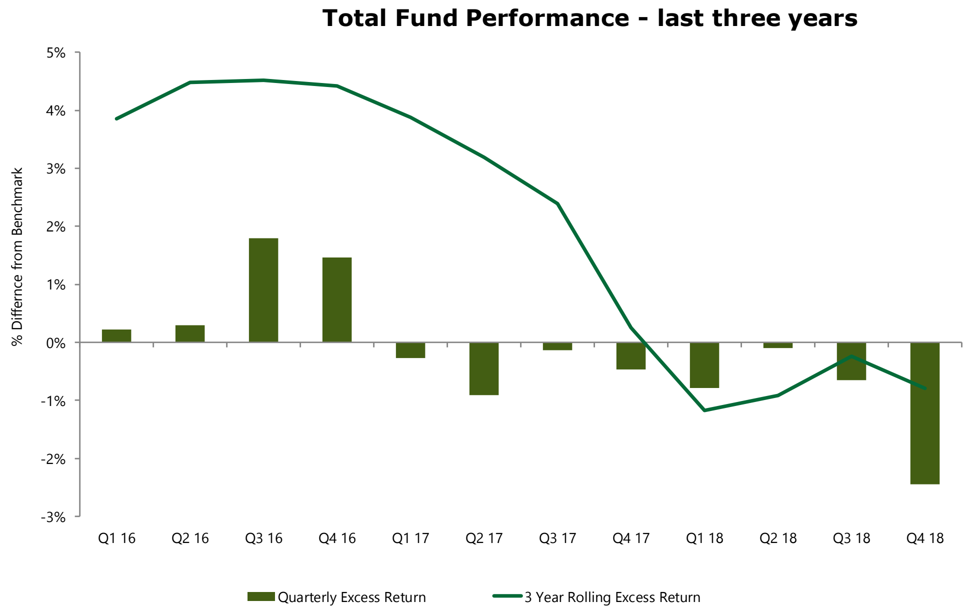
(1) Estimated by Deloitte

(2) Average weighted benchmark

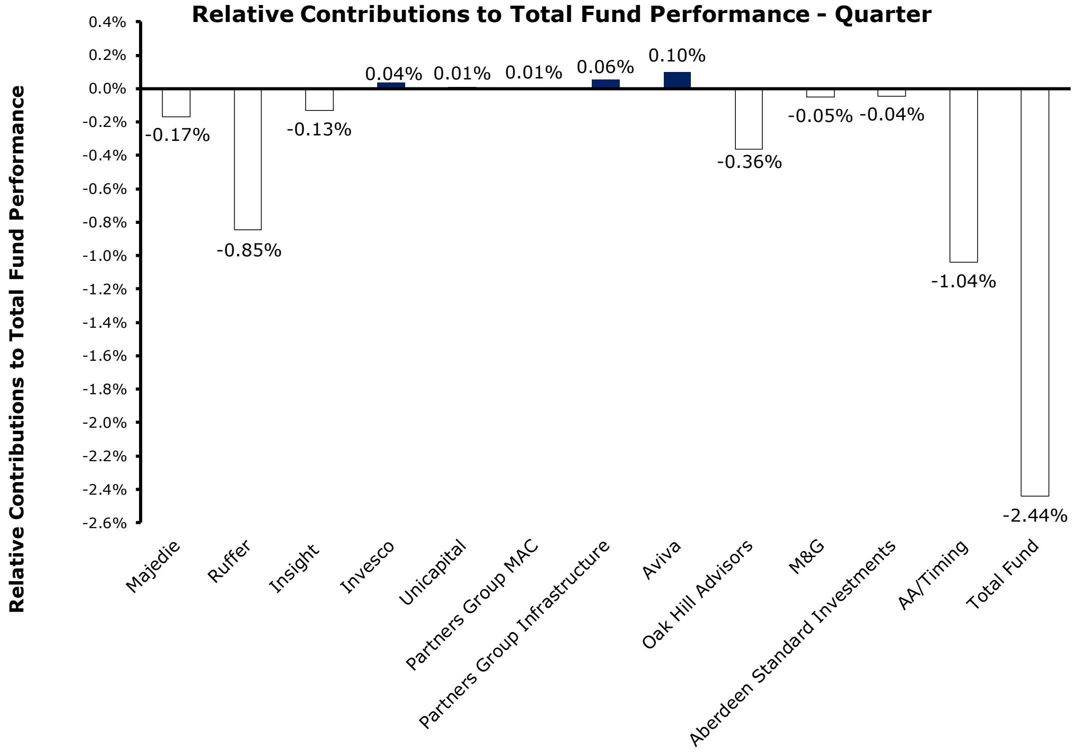
The Total Fund returned -5.8% over the quarter to 31 December 2018 on a net of fees basis, underperforming the fixed weight benchmark by 2.4%.

Over the 12 month period to the end of 2018 the Total Fund returned -3.2% net of fees, underperforming the benchmark by 4.1%. The Total Fund returns remained positive over the three and five year periods to 31 December 2018, underperforming the benchmark by 0.8% p.a. over the three year period whilst outperforming the benchmark by 1.4% p.a. over the five year period to 31 December 2018.

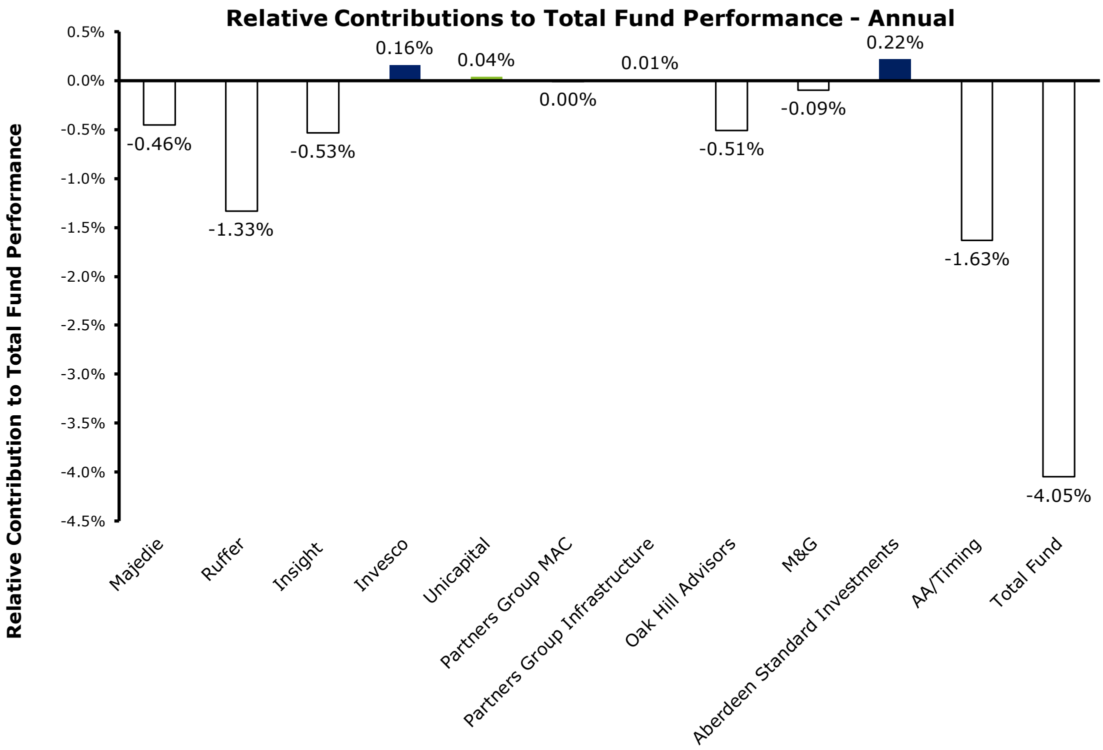
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 December 2018. The 3-year rolling excess return has remained negative over the quarter, declining slightly since the third quarter of 2018. The negative performance can be attributed to underperformance by Majadie, Ruffer and Oak Hill.



3.2 Attribution of Performance to 31 December 2018



Over the fourth quarter of 2018, the Fund underperformed the composite benchmark by 2.4% on a net of fees basis. This underperformance was largely due to underperformance from Ruffer, alongside underperformance from Oak Hill Advisors and Majedie.



The Fund has underperformed the composite benchmark by 4.1% over the 12 month period to 31 December 2018. This was largely as a result of underperformance from Ruffer. Majedie, Insight and Oak Hill Advisors also detracted from performance over the year to 31 December 2018. The negative contribution represented by the "AA/Timing" bar is primarily a function of the Fund having an overweight Dynamic Asset Allocation holding, with Ruffer and insight both underperforming their respective benchmarks over the year to 31 December 2018.

3.3 Asset Allocation

The table below shows the assets held by each manager as at 31 December 2018 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation 30 Sept 2018 (£m)	31 Dec 2018 (£m)	30 Sept 2018 (%)	31 Dec 2018 (%)	Benchmark Allocation (%)
Majedie	UK Equity (Active)	168.9	117.7	16.0	11.9	15.0
LGIM	Global Equity (passive)	342.3	0.0	32.4	0.0	0.0
	Low Carbon Equity (passive)	0.0	339.9	0.0	34.4	30.0
	Total Equity	**511.2**	**457.6**	**48.4**	**46.3**	**45.0**
Ruffer	Absolute Return	130.9	123.8	12.4	12.5	10.0
Insight	Bonds Plus	87.0	86.3	8.2	8.7	10.0
	Total Dynamic Asset Allocation	**217.9**	**210.1**	**20.6**	**21.3**	**20.0**
Invesco	Private Equity	4.4	2.9	0.4	0.3	0.0
Unicapital	Private Equity	1.6	1.7	0.2	0.2	0.0
	Total Private Equity	**6.0**	**4.6**	**0.6**	**0.5**	**0.0**
Partners Group	Multi Asset Credit	38.3	28.2	3.6	2.9	5.0
Oak Hill Advisors	Diversified Credit Strategy	73.2	70.4	6.9	7.1	7.5
Partners Group	Direct Infrastructure	13.5	16.6	1.3	1.7	5.0
Aviva	Infrastructure Income	28.2	30.2	2.7	3.1	2.5
	Secure Income	**153.2**	**145.4**	**14.5**	**14.7**	**20.0**
M&G	Inflation Opportunities	102.3	103.0	9.7	10.4	10.0
Aberdeen Standard Investments	Long Lease Property	54.0	54.9	5.1	5.6	5.0
	Total Inflation Protection	**156.3**	**157.9**	**14.8**	**16.0**	**15.0**
LGIM	Liquidity Fund	10.9	10.9	1.0	1.1	0.0
	Total	**1,055.6**	**986.6**	**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

At the beginning of the quarter, the Fund fully disinvested from the Majedie UK Focus Fund and the Majedie Tortoise Fund. This amounted to c. £35m and was reinvested in the LGIM MSCI Low Carbon Equity Fund.

3.4 Yield Analysis as at 31 December 2018

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

Manager	Asset Class	Yield as at 31 December 2018
Majedie	UK Equity	4.15%
LGIM	Global Equity	0.26%*
Ruffer	Dynamic Asset Allocation	1.10%
Insight	Dynamic Asset Allocation	1.36%
Partners Group MAC	Secure Income	3.65%**
Oak Hill Advisors	Secure Income	8.10%
M&G	Inflation Protection	2.53%
Aberdeen Standard Investments	Inflation Protection	5.50%
	Total	**2.01%**

*Benchmark yield is 2.8% (represents the income that would be generated).
**Yield as at 30 September 2018.

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
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
LGIM	Low Carbon	Major deviation from the benchmark return Significant loss of assets under management	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
Aviva Investors	Infrastructure Income	Significant changes to the investment team responsible for the Fund	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 31 December 2018, the London CIV had 14 sub-funds and assets under management of £7,447m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £0.2bn over the quarter to £17.5bn.

Personnel

Following quarter end it was announced that Mike O'Donnell has been appointed as the London CIV's Chief Executive, subject to FCA approval with the intention to start the role on 4 March 2019. Mike is a senior finance professional and non-executive director with a background in local government finance, including twelve years as Executive Director responsible for Finance at LB Camden and nine month seconded to Birmingham City Council. He has chaired LFAC and been president of SLT the representative group for London s151 officers.

This appointment allows the London CIV to move forward with the recruitment of a CIO. Mark Hyde-Harrison, interim CEO, will work with Mike to ensure a smooth transition and will leave his role at the end of March.

Deloitte view – It is crucial that steps are taken to rebuild the senior management team and an appropriate strategy agreed for taking the pool forward, getting "buy-in" from the shareholders. We are continuing to monitor developments on the business side as well as the new fund launches.

4.2 Majedie

Business

The total assets under management for Majedie was c. £11.8bn as at 31 December 2018, a decrease of c. £2.3bn over the fourth quarter of 2018. This large decrease in assets under management is attributable to a combination of some clients de-risking and a number of councils transferring into different pools, in addition to the fall in UK equity markets

Personnel

There were no significant team or personnel changes over the quarter to 31 December 2018.

In January 2019, a decision has been taken to replace Richard Staveley, manager of the Smaller Companies element of the UK Equity Fund. This represents c. 7% of UK Equity strategy client portfolios. Majedie felt that performance of this element of the portfolio has been disappointing and a change of manager is now appropriate. Management of the other 93% of the strategy assets remains unchanged. The UK Focus strategy is unaffected. A replacement is being sought, with Majedie stating that they will keep clients and consultants appraised with the progress on this front.

Deloitte view – We continue to rate Majedie positively for its UK Equity capabilities and have set up a meeting with Majedie regarding recent performance and team changes.

4.3 LGIM

Business

As at 30 June 2018, Legal & General Investment Management ("Legal & General") had total assets under management ("AuM) of £985bn, an increase of £2bn since 31 December 2017.

Personnel

Over the quarter, Roger Bartley, Vice Chairman of Investments, retired and Kaye Maguire, Chief Resourcing & Legal Officer also left. Neil Perry who had previously been HR Director replaced Kaye.

Following quarter end, Siobhan Boylan, Chief Financial Officer, left the firm and has been subsequently replaced by Richard Lee. Richard was the Group Performance Director and had previously held the positions of CFO and CRO for Legal & General Retirement.

Also, following quarter end, Will Riley was appointed Head of Solutions and Sonja Laud was appointed Deputy CIO. Will held a number of senior portfolio management roles at BlackRock before joining and Sonja joins from Fidelity International, where she was head of equity.

At the Index team level, there were no new joiners or leavers.

Deloitte View

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

4.4 Ruffer

Business

As at 31 December 2018, Ruffer's total assets under management was £20.9bn, a decrease of 0.9bn over the quarter.

Personnel

There were no significant team or personnel changes over the fourth quarter of 2018.

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.

4.5 Insight

Business

Insight's total AuM at 31 December 2018 was c. £621bn, an increase from the previous quarter (c. £604bn). The total assets in the Insight's Bonds Plus fund decreased by c. £0.2bn over the quarter, with total assets at £3.9bn as at 31 December 2018.

Personnel

Insight made no changes to the Bonds Plus team over the quarter.

Deloitte view – Performance of the Bonds Plus fund has been disappointing. We are currently conducting a review of the product.

4.6 Partners Group

Business - Multi Asset Credit

The net asset value of the MAC Fund was c. £142m as at 31 December 2018, a fall of c. £17m since 30 September 2018 due to distributions. The investment period for the 2014 MAC vintage finished at the end of July 2017, and the fund is continuing to make distributions back to investors in 2018.

Business - Direct Infrastructure

Total commitment value as at 30 September 2018 was c. €1,080m as the Fund.

The Fund ended the fourth quarter of 2018 at c. 30.7% drawn down, with commitment level increasing to 55.6% from 48.3% over 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

Oak Hill Advisors' total assets under management rose to $32.8bn as at 1 November 2018, an increase of c. $0.7bn over the quarter.

During the fourth quarter of 2018, the Fund had c. $279m of net outflows.

Personnel

There were no notable changes to the management team of the DCS Fund during the quarter. On an organisational level, Oak Hill Advisors saw six partner promotions; Adam Kertzner was promoted to Senior Partner, with Nadav Braun, Alexis Atteslis, Lucy Panter, Musa Sönmez and Gregory Rubin promoted to Partner.

Deloitte view – We are comfortable with how the strategy is being managed and the level of risk within the strategy.

4.8 M&G – Inflation Opportunities Fund

Business

M&G's Inflation Opportunities Fund V Fund held total assets under management of c. £517m as at 31 December 2018, an increase of c. £4m over the quarter.

Personnel

There were no significant changes to the M&G Inflation Opportunities Fund team over the quarter.

Deloitte view –The strategy has a high allocation to ILGs and has not managed to source as many 'inflation linked 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

The Fund's assets under management increased by £0.1bn to c. £2.4bn as at 31 December 2018.

Personnel

There were no team changes for either the Long Lease Property Fund over the fourth quarter of 2018.

Process

Since the two businesses merged, ASI has put in place a formalised process where all potential transactions are reviewed and an "allocation policy" applied where interest is expressed in the investment by more than one fund/client portfolio.

Deloitte View – We continue to rate Aberdeen Standard Investments positively for its long lease property capabilities.

4.10 Aviva Investors

Business

The Aviva Infrastructure Income Fund had a total subscription value of approximately £1,235m from initial commitments plus re-invested distributions as at 30 September 2018. No investor commitments were received over the fourth quarter, although the Fund had distributions re-invested of an approximate value of c. £10m. The undrawn amount as at 31 December 2018 was £220.7m.

Personnel

There were no changes to the Infrastructure Fund team over the quarter. More recently, two additional analysts have joined during January 2019.

Deloitte View - We continue to rate Aviva Investors positively for its infrastructure capabilities.

5 London CIV

5.1 Investment Performance to 31 December 2018

As at 31 December 2018, the London CIV had 14 sub-funds and assets under management of £7,447m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £0.2bn over the quarter to £17.5bn.

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 September 2018 (£m)	Total AuM as at 31 December 2018 (£m)	Number of London CIV clients	Inception Date
LCIV UK Equity	UK Equity	Majedie	526	467	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	120	106	1	02/12/15
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	2,371	2,092	12	11/04/16
LCIV Global Equity	Global Equity	Newton	616	557	3	22/05/17
LCIV LV Global Equity Focus	Global Equity	Longview Partners	683	700	5	17/07/17
LCIV Equity Income	Global Equity	Epoch Investment Partners	235	222	2	08/11/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	186	276	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	283	249	2	18/04/18
LCIV Global Total Return	Diversified growth fund	Pyrford	315	308	5	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	637	627	8	15/02/16
LCIV Absolute Return	Diversified growth fund	Ruffer	912	854	10	21/06/16
LCIV NW Real Return	Diversified growth fund	Newton	194	182	2	16/12/16
LCIV MAC	Fixed Income	CQS	492	639	9	31/5/18
LCIV Global Bond	Fixed Income	PIMCO	-	167	2	30/11/18
Total			**7,572**	**7,447**		

The London CIV launched its second Fixed Income sub fund over the quarter to 31 December 2018. The initial investment in the Global Bond sub-fund is to be managed by PIMCO. Over the quarter, the Emerging Market Equity sub-fund (managed by Henderson) and the Multi Asset Credit sub-fund (managed by CQS) both added three new London Boroughs to their client list.

6 Majedie – UK Equity

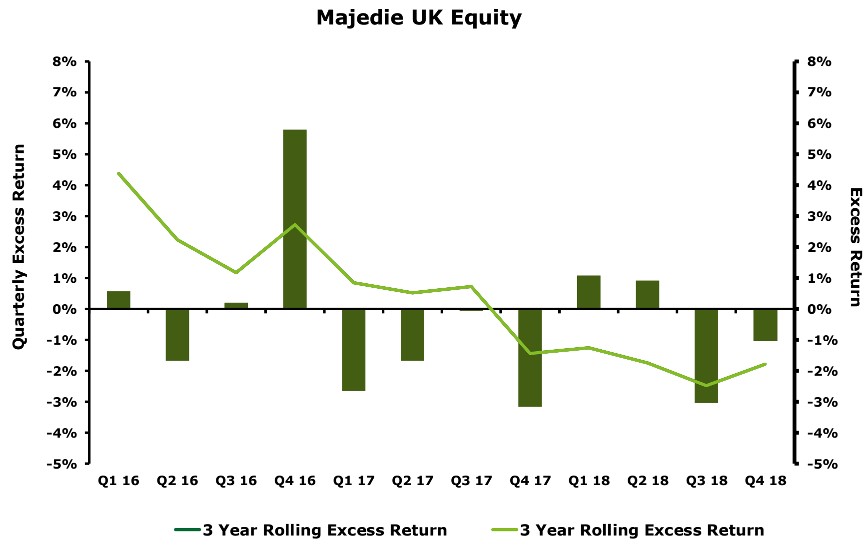
Majedie was appointed to manage an actively managed segregated UK equity portfolio. The manager's remuneration is a combination of a tiered fixed fee, based on the value of assets and a performance related fee of 20% of the outperformance which is payable when the excess return over the FTSE All Share +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 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)(1)	Three Years (% p.a.)	Five Years (% p.a.)
Majedie – Gross of fees	-11.0	-10.9	-3.1	4.8	4.0
Net of fees(1)	-11.2	-11.4	-3.6	4.2	3.6
Benchmark	-10.1	-9.4	1.2	6.0	4.0
Target	-9.6	-7.4	3.2	8.0	6.0
Net performance relative to Benchmark	-1.0	-2.1	-4.8	-1.8	-0.4

Source: Northern Trust

(1) Estimated by Deloitte



The strategy underperformed its benchmark by 1.0% over the quarter to 31 December 2018, delivering a negative return of -11.2% on a net of fees basis. A very poor fourth quarter for equity markets significantly affected the one-year absolute return of the strategy, returning -11.4% net of fees against a benchmark return of -9.4%. Over both the three and five years to 31 December 2018, the Strategy underperformed the benchmark by 1.8% and 0.4% respectively.

6.2 Performance Analysis

The top 10 holdings in the UK Equity strategy account for c. 48.5% of the Fund and are detailed below.

Top 10 holdings as at 31 December 2018	Proportion of Majedie Fund
Royal Dutch Shell	8.1%
BP	7.8%
Majedie Asset Management Special	7.6%
Tesco	4.8%
GlaxoSmithKline	4.6%
HSBC	3.4%
Orange	3.3%
WM Morrison	3.3%
Centrica	3.0%
Pearson	2.6%
Total	**48.5%**

Note: The numbers in this table may not sum due to rounding.
Source: London CIV.

The tables below show the top 5 and bottom 5 contributors to performance over the quarter to 31 December 2018.

Top 5 contributors as at 31 December 2018	Contribution (bps)
Gold Fields	+0.49
Acacia Mining	+0.38
Barrick Gold	+0.26
Agnico Eagle Mines	+0.21
Koninklijke	+0.13

Top 5 detractors as at 31 December 2018	Contribution (bps)
Ensco	-0.57
Oceaneering	-0.55
Diamond Offshore Drilling	-0.52
William Hill	-0.37
Tullow Oil	-0.32

The Fund's holdings in Ensco plc, Oceaneering International and Diamond Offshore Drilling Inc provided the biggest detractions to performance over the quarter to 31 December 2018.

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 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)
LGIM – Gross of fees	-8.4	-1.2	6.1
Net of fees(1)	-8.4	-1.2	6.0
Benchmark	-8.4	-1.2	6.1
Net Performance relative to Benchmark	0.0	0.0	-0.1

Source: LGIM. Relative performance may not tie due to rounding.
(1) Estimated by Deloitte
The LGIM Global Equity allocation was transferred to the LGIM Low Carbon Target Fund on 18 December 2018. Returns and benchmark returns reflect LGIM Global Equity performance and benchmark over the quarter to 18 December 2018 and LGIM Low Carbon Target Fund returns and benchmark from 18 December to 31 December 2018.

Over the fourth quarter, the Fund performed in line with the benchmark on a net of fees basis, delivering an overall negative return. Over the 12 month period to 31 December 2018, the Fund successfully tracked its benchmark, whilst slightly underperforming its benchmark over the two year period.

8 Ruffer – Absolute Return

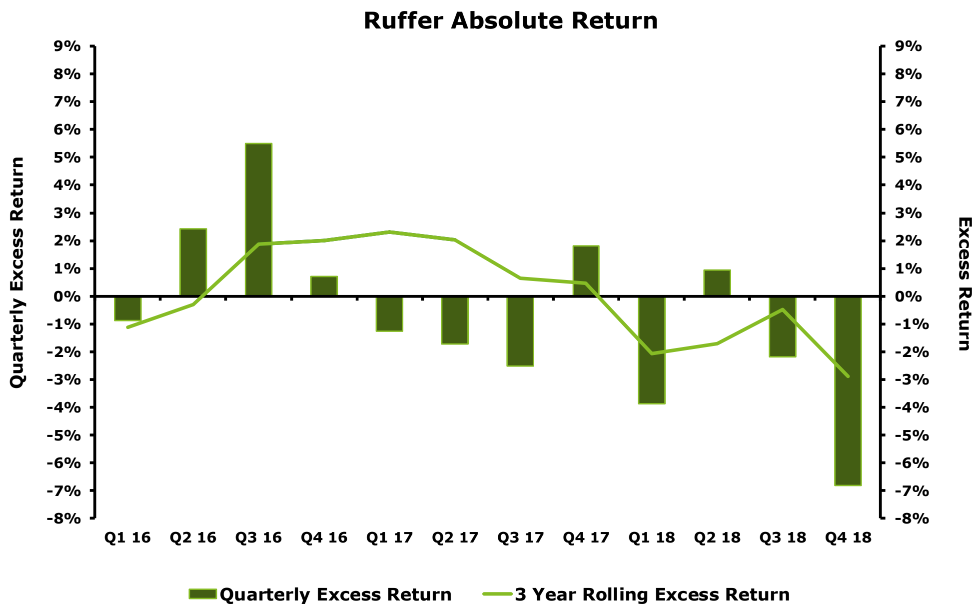
Ruffer was appointed to manage an absolute return mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

8.1 Dynamic Asset Allocation – Investment Performance to 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)(1)	Three Years (% p.a.)	Five Years (% p.a.)
Ruffer - Gross of fees	-5.4	-6.5	-2.7	2.5	3.3
Net of fees(1)	-5.6	-7.3	-3.4	1.6	2.4
Benchmark / Target	1.2	4.7	4.5	4.5	4.5
Net performance relative to Benchmark	-6.8	-12.0	-8.0	-2.9	-2.1

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

(1) Estimated by Deloitte



Over the fourth quarter of 2018, Ruffer delivered a return of -5.6% net of fees, underperforming the Libor +4% p.a. target by 6.8%. This takes the 12 month and 3 year returns to -7.3% and 1.6% p.a. respectively, underperforming the target over both periods.

A disappointing quarter was attributed to the Fund's equity holdings which represented c. 48% of the portfolio exposure at the start of the quarter. The Fund's equities saw declines in October and November, generally coming from cyclicals and financials with protective strategies only offering a limited counter. Equity exposure was cut towards the end of the quarter, particularly Japanese equity exposure with Ruffer more mindful on inflation prospects.

Over the 12 month period to 31 December 2018, the Fund underperformed its target by 12.0%. Much of the drag at the beginning of the year came from the portfolio's VIX positions, with very little volatility in the market. However, despite equity markets declining towards the end of the year, the positive impact of these protection strategies was somewhat limited as the fall in equity markets was not enough for Ruffer's options protection to have a meaningful impact. Ruffer's equity exposure, although cautious in magnitude, was largely focused on cyclical and financial stocks; these fell as much, if not more than broader indices and therefore detracted from performance considerably.

9 Insight – Bonds Plus

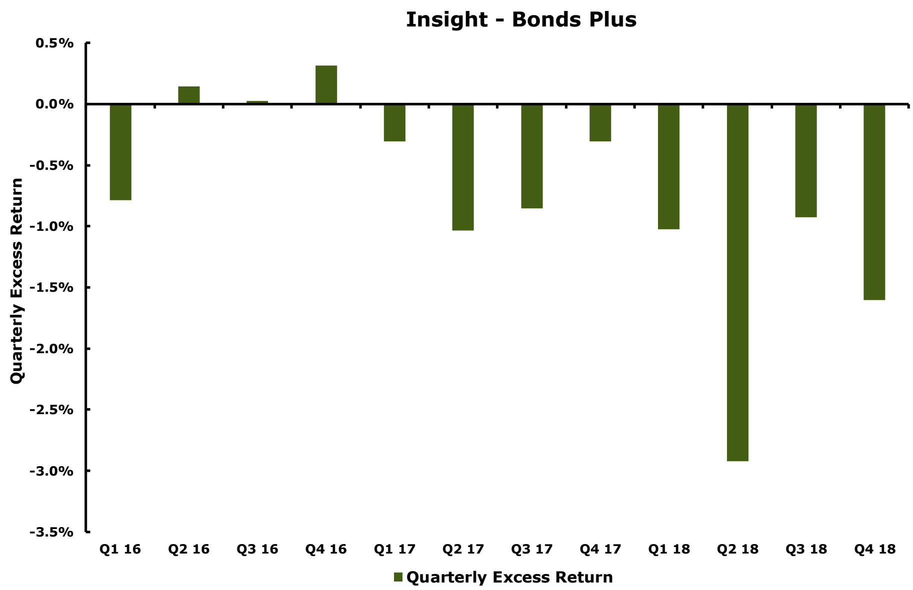
Insight was appointed to manage an active bond portfolio with an aim of outperforming the 3 Month Sterling LIBOR by 2% over a rolling three year period. The fees are based on the value of assets invested in the fund.

9.1 Absolute Return – Investment Performance to 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)
Insight - Gross of fees	-0.8	-3.3	-1.5	-0.1
Net of fees[(1)]	-0.9	-3.7	-2.0	-0.6
Benchmark / Target	0.7	2.7	2.5	2.5
Net performance relative to Benchmark	-1.6	-6.5	-4.5	-3.1

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

(1) Estimated by Deloitte



Over the quarter to 31 December 2018, Insight delivered a negative return of 0.9% net of fees, underperforming its target by 1.6%.

A combination of factors have been attributed to the negative performance seen during the fourth quarter of 2018. Similar to the previous quarter, a US yield curve flattener position detracted from performance (short 2 year versus long 30 year). Exposure to a 30 year 'break-evens' was also a key detractor to performance.

Insight's expectation that strong economic growth in Europe would lead to the unwinding of quantitative easing across 2018, potentially preparing the market for lower interest rates, was essentially incorrect. Slightly lower growth combined with political volatility in Italy delayed the start of monetary tightening.

The Bonds Plus Fund has delivered disappointing returns since inception. Following a meeting with Insight, we understand that the key detractors from performance have come from a number of the fund's strategic views on market. In particular, a number of the longer term country allocation views that was deemed attractive (when trades were initially put on) have moved against them under the current geopolitical environment. Despite the mark-to-market, the manager continues to believe in the positions they have put on and have not cut their positions. Although performance has been weak the manager continues to adopt the same investment process and are not taking additional risk in order to deliver the target return.

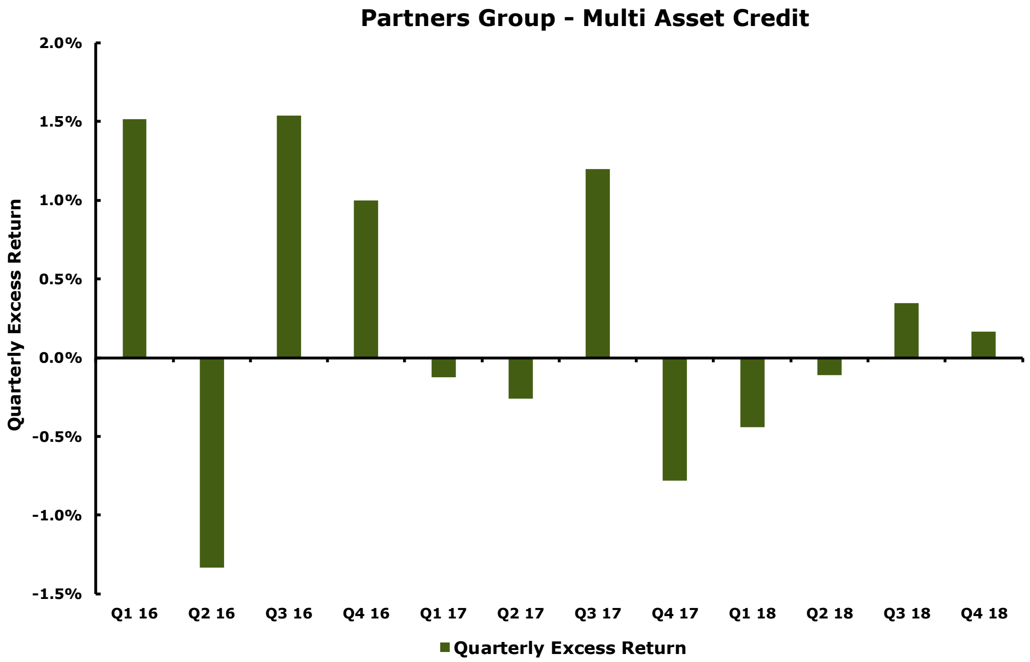
10 Partners Group – Multi Asset Credit

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 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)
Partners Group MAC - Gross of fees	1.6	5.6	5.4	6.3
Net of fees(1)	1.4	4.7	4.5	5.4
Benchmark / Target	1.2	4.7	4.5	4.5
Net performance relative to Benchmark	0.2	0.0	0.0	0.9

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



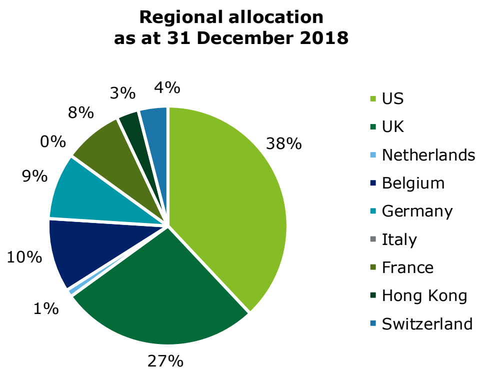
The Partners Multi-Asset Credit mandate outperformed its benchmark by 0.2% on a net of fees basis over the fourth quarter of 2018.

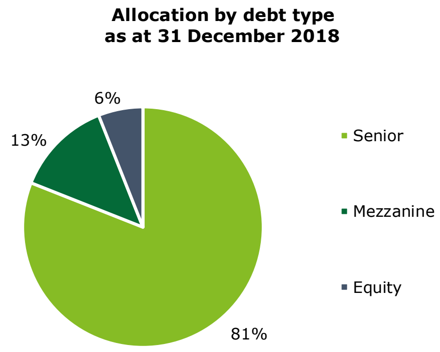
Over the 12 month period to 31 December 2018, the Fund delivered a positive return of 4.7% net of fees; successfully tracking its sterling based target.

The Fund has outperformed its target by 0.9% p.a. over the three-year period to 31 December 2018, delivering a positive return of 5.4% p.a.

10.2 Asset Allocation

The charts below show the regional split of the Fund as at 31 December 2018.





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 31 December 2018.

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	6.7	8.5	10.6%
		Corporate	Second Lien	31 Mar 2023	9.5	6.6	
AS Adventure	Large European specialist multi-brand outdoor retail group	Corporate	First Lien	28 Apr 2022	5.5	14.6	10.3%
IDEMIA	Security and identity solutions company	Corporate	Mezzanine	31 May 2027	12.5	11.0	7.8%
Sabre Industries	US infrastructure products and services provider	Corporate	First Lien	29 May 2022	6.6	10.1	7.1%
Survitec Group, Ltd	UK Manufacturer of personal survival products	Corporate	First Lien	14 March 2022	6.0	9.5	6.7%

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 32 have been fully realised as two further realisations took place during the fourth quarter. The Fund's 3 year investment period ended in July 2017 and, therefore, any investments realised have subsequently been repaid to investors. As a result, the distribution rate has been higher since.

In October, the MAC 2014 Fund realised its full debt investment in Alltub, an aluminum tube manufacturer, in conjunction with One Equity Partners' acquisition of the business. In November, the Fund fully realised its second lien investment in VFS Global, an outsourcing and technology services specialist, although the Fund still retains exposure to the company through its first lien debt investment which is still invested.

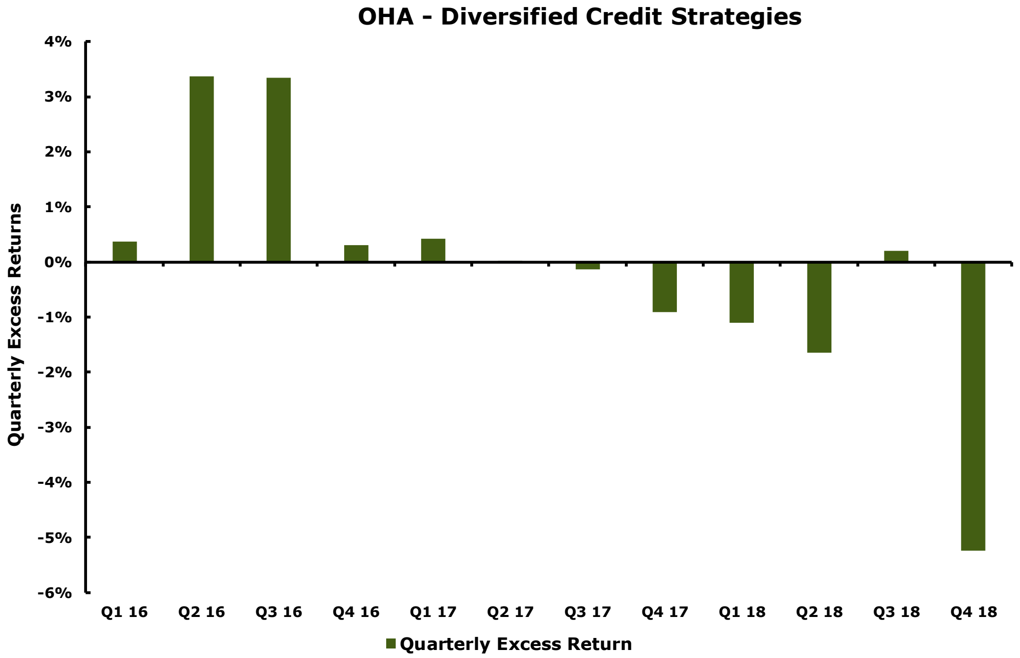
11 Oak Hill Advisors – Diversified Credit Strategies Fund

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 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (%)	Three Years (% p.a.)
OHA – Gross of fees	-3.9	-2.5	0.9	4.8
Net of fees(1)	-4.1	-3.2	0.2	4.1
Benchmark / Target	1.2	4.7	4.5	4.5
Net Performance relative to Benchmark	-5.2	-7.9	-4.3	-0.4

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



Over the fourth quarter of 2018, the Diversified Credit Strategies Fund returned -4.1% on a net of fees basis, underperforming its target by 5.2%. The Fund underperformed a blended benchmark of high yield and leveraged loans by 0.6% over the quarter to 31 December 2018.

Over the 12 month period to 31 December 2018, the Fund returned -3.2% net of fees, underperforming its target by 7.9%. This was primarily due to the poor performance seen in the High Yield and Leveraged Loans space, with both performing negatively over the fourth quarter. Over the longer period of three years to the end of 2018, the Fund has delivered a positive return of 4% p.a. but has lagged its target by 0.4% p.a. over the same period.

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 31 December 2018

Activity

During the fourth quarter of 2018, the Fund did not add any new investments to its portfolio with the most recent investment taking place in September 2018.

The Fund had a commitment level of 55.6% as at 30 September 2018.

Capital Calls and Distributions
10 December

- The Fund issued its 18th capital call, drawing down an additional c. 2.0% (€22m).
- Total drawn down following this call was c. 34.9%.

Pipeline

Partners Group currently has two opportunities in its near-term investment pipeline:

- A European air cargo logistics provider; and
- A North American support infrastructure in the natural gas value chain.

Investments Held

The table below shows a list of the investments held by the Partners Group Direct Infrastructure Fund as at 31 December 2018.

Investment	Description	Type	Sector	Country	Commitment Date
Fermaca	Gas infrastructure operator based in Mexico.	Lead	Energy	Mexico	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.	Co-lead	Transportation	Australia	November 2016
USIC	Utility location services	Lead	Utilities	USA	August 2017
Arcanum Infrastructure	Develops and acquires infrastructure assets to supply strategic materials	Lead	Chemical Infrastructure	North America	tbc
Borssele III/IV	Wind farm based in Netherlands	Lead	Wind Power	Netherlands	tbc
Grassroots Renewable Energy Platform	Wind/solar/energy storage platform	Lead	Renewable Energy	Australia	tbc
Murra Warra Wind Farm	Onshore windfarm	Lead	Renewable Energy	Australia	tbc
Superior Pipeline Company	LNG pipeline platform	Co-lead	Energy Infrastructure	North America	tbc
Techem AG	Energy metering services provider	Lead	Infrastructure Services	Germany	tbc

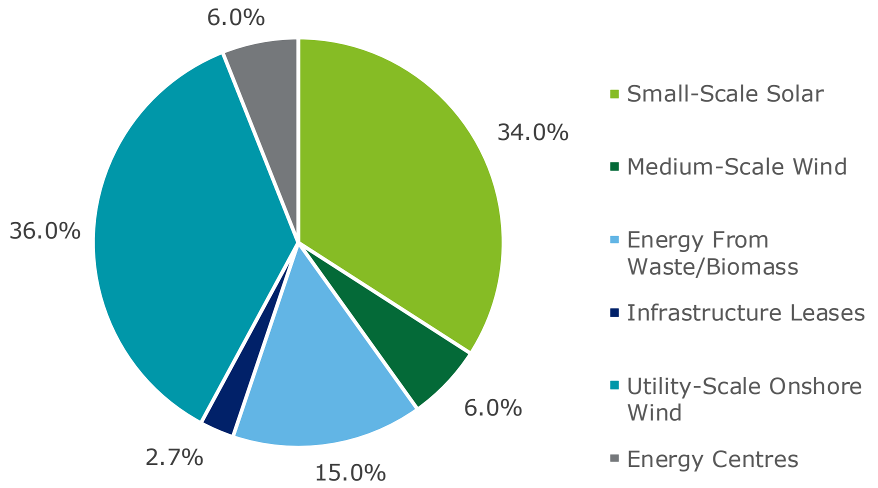
13 Aviva Investors – Infrastructure Income

Aviva Investors was appointed to manage an infrastructure income mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 6% p.a. The manager has an annual management fee and performance fee.

13.1 Infrastructure Income - Investment Performance to 30 September 2018

Sector Breakdown

The chart below shows the split of the portfolio by sector.



Source: Aviva Investors.

Small-scale solar and utility-scale onshore wind make up c. 70% of the portfolio.

Holdings

The top 10 holdings in the Infrastructure Income Fund account for c. 61.3% of the Fund and are detailed below.

Top 10 holdings as at 30 September 2018	Asset	Proportion of Fund
Brockloch Rig Wind Farm	Utility-scale Onshore Wind	10.9%
Turncole Wind Farm	Utility-scale Onshore Wind	6.4%
Minnygap Energy	Utility-scale Onshore Wind	6.3%
Aviva Investors Energy Centres No. 1	Energy Centres	6.2%
EES Operations 1	Small-scale Solar PV	5.8%
HomeSun	Small-scale Solar PV	5.7%
Biomass UK No. 1	Biomass	5.4%
Biomass UK No. 2	Biomass	5.4%
Biomass UK No. 3	Biomass	5.0%
Jacks Lane	Utility-scale Onshore Wind	4.3%
Total		**61.3%**

Note: The numbers in this table may not sum due to rounding.
Source: Aviva Investors.

Pipeline

Aviva currently has a “priority pipeline”, representing transactions which the Fund has exclusivity, are in due diligence or are strongly positioned due to Aviva’s leading position in the relevant sector or relationship with the opportunity partner. The opportunities within the priority pipeline amount to c. £604m as at 30 September 2018, with the general expectation to reach a closing in 12 months. Within the pipeline the largest sectors are c. 38% utility-scale onshore wind assets, c. 33% energy from waste/biomass assets and c. 23% infrastructure leases.

During the fourth quarter of 2018, the Fund completed a total of c. £215m in transactions between two projects, both of which occurred in October. A total of c. £152m was committed to construct a 25MWh energy from waste plant in Hooton, Merseyside and the Fund completed on an associated infrastructure lease of c. £63m.

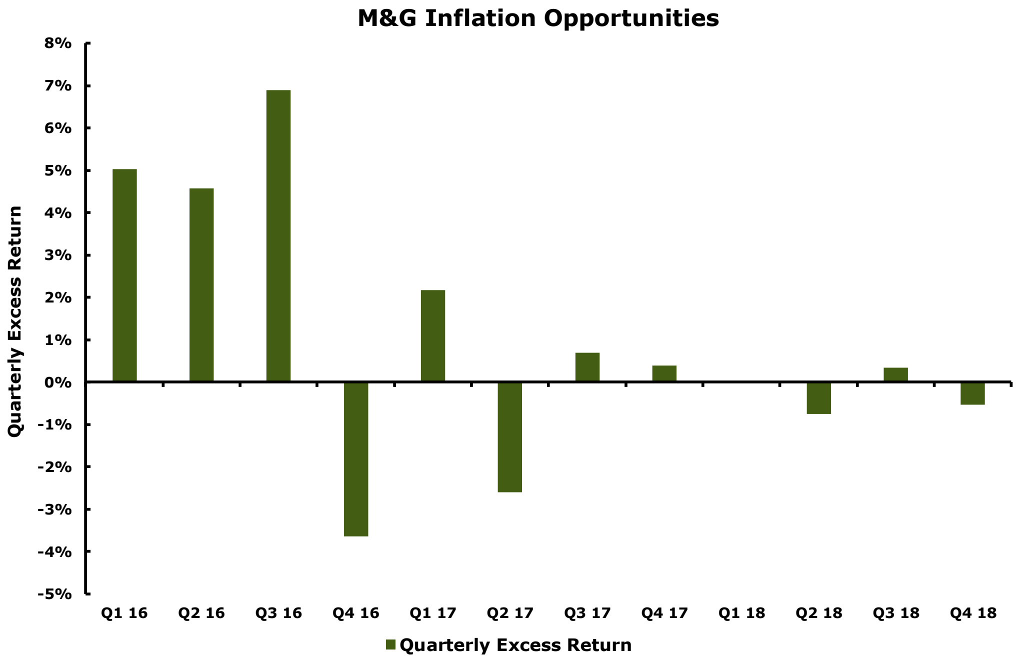
14 M&G – Inflation Opportunities

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

14.1 M&G Inflation Opportunities - Investment Performance to 31 December 2018

	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)
M&G Inflation Opportunities – Gross of fees	0.7	4.5	6.0	10.2
Net of fees(1)	0.6	4.2	5.7	9.9
Benchmark / Target	1.1	5.2	5.9	5.6
Net Performance relative to Benchmark	-0.5	-1.0	-0.2	4.3

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



The Fund returned 0.6% net of fees over the quarter to 31 December 2018, underperforming the performance target by 0.5%. Over the 12 month period to 31 December 2018, the Fund delivered a net positive return but underperformed the benchmark by 1.0%. However, the Fund remains ahead of target over the 3 year period to 31 December 2018, outperforming its target by 4.3% p.a.

The Fund increased its exposure to long lease property over the quarter to c. 38%, with long lease property remaining the largest component of the portfolio as at 31 December 2018. The index-linked gilts exposure within the portfolio continued to reduce over the quarter, with portfolio exposure decreasing to c. 24%. The income strips and ground rents exposures both increased over the quarter to 31 December 2018 to c. 25% and c. 11% respectively.

15 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.

15.1 Long Lease Property - Investment Performance to 31 December 2018

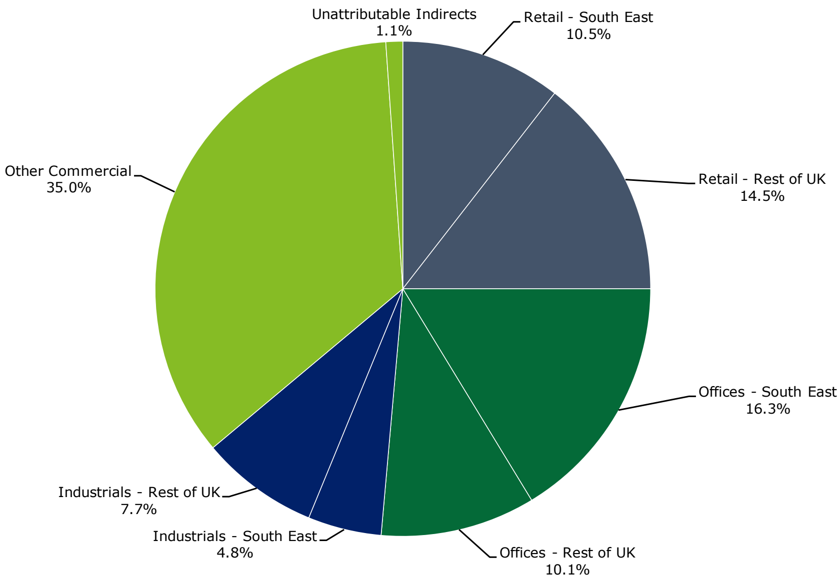
	Last Quarter (%)	One Year (%)	Two Years (% p.a.)	Three Years (% p.a.)
ASI Long Lease Property – Gross of fees	1.7	7.5	9.5	6.5
Net of fees[(1)]	1.6	7.0	8.9	7.6
Benchmark / Target	2.4	2.6	3.2	6.1
Net Performance relative to Benchmark	-0.8	4.4	5.7	1.5

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

The ASI Long Lease Property Fund has delivered a net of fees return of 1.6% over the fourth quarter of 2018, underperforming the FTSE Gilt All Stocks Index + 2% benchmark by 0.8%.

15.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 December 2018 is shown in the graph below.



The Funds allocation to the office sector increased over the quarter from 24.3% as at 30 September 2018 to 26.4% as at 31 December 2018. Over the same period the holdings in the retail sector fell by 0.9% to 25.0% and other commercial also fell by 1.1% to 35% as at the end of the fourth quarter.

15.3 Sales and Purchases

Over the fourth quarter of 2018:

- The Fund completed the purchase of Lloyds Bank Plc, Chester, for c. £67m. Representing a net initial yield of 5.4% with an unexpired term of 25 years.

- The Fund also completed on three holiday parks in Suffolk and Kent operated by Park Holidays UK Limited for c. £25m, reflecting a net initial yield of 3.0%. This was an off-market transaction given ASI's previous relationship with the company, acquiring another portfolio in 2017. The transaction was structured on a ground rent basis with a lease term of 99 years and annual rent set at 12% of the underlying earnings for each park.

Following quarter end, the Fund exchanged on a 20 year unexpired term office for c. £47m. The purchase of St James Place, Cirencester, will provide a net initial yield of 4.0%.

16 Legal and General – Low Carbon Target

Legal and General Investment Manager ("LGIM") was appointed to manage a low carbon portfolio with the aim of replicating the performance of the MSCI World Low Carbon Target Index. The manager has an annual management fee, in addition to On Fund Costs.

16.1 Low Carbon Target – Investment Performance to 31 December 2018

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
LGIM – Gross of fees	-11.2	-2.8	11.9
Benchmark (MSCI World Low Carbon Target Index)	-11.2	-2.7	11.9
MSCI World Equity Index	-11.2	-2.5	12.2

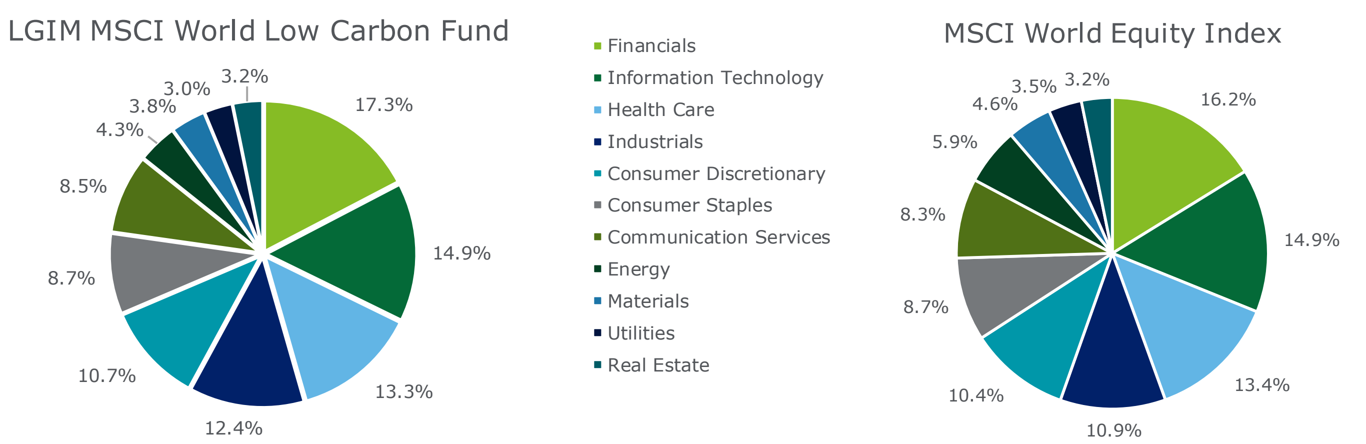
Source: Legal & General and MSCI. Relative performance may not tie due to rounding.

Please note that the LGIM MSCI Low Carbon Target Fund date of inception is 18 December 2018, hence the performance figures quoted above are for illustrative purposes only.

The LGIM MSCI Low Carbon Target Fund has successfully tracked its low carbon target benchmark over the quarter, year and 3 years to 31 December 2018.

16.2 Portfolio Sector Breakdown at 31 December 2018

The below charts compare the relative weightings of the sectors in the LGIM MSCI World Low Carbon Target Fund and the MSCI World Equity Index.



The LGIM MSCI Low Carbon Target Fund has a larger allocation to financials and industrials than the MSCI World Equity Index, whilst the lower allocation to energy and materials represents the low carbon nature of the Fund.

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	15.0%	FTSE All-Share Index +2% p.a. over three year rolling periods	31/08/05
LGIM	Low Carbon Target	30.0%	MSCI World Low Carbon Target Index	18/12/18
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
Unigestion	Private Equity	0.0%	n/a	30/09/09
Partners Group	Multi Asset Credit	5.0%	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
Aviva Investors	Infrastructure Income Fund	2.5%	FT British Government Index-Linked All Stocks Index +2.0%	23/05/2018
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 – Risk warnings & Disclosures

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

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Appendix 3: Cashflow Monitoring Position as at 31 December 2018

Pension Fund Current Account Cashflow Actuals and Forecast for period October 2018 to September 2019

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Forecast Annual Total	Forecast Monthly Total
	£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	**4,131**	**1,095**	**971**	**814**	**1,014**	**1,214**	**1,914**	**8,714**	**6,914**	**6,614**	**4,814**	**3,014**	**£000s**	**£000s**
Contributions	2,160	2,501	851	2,000	2,000	2,000	10,600	2,000	2,000	2,000	2,000	2,000	**32,112**	**2,676**
Pensions	(2,713)	(2,759)	(3,143)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	**(33,814)**	**(2,818)**
Lump Sums	(782)	(7)	(1,151)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	**(7,340)**	**(612)**
Net TVs in/(out)	(1,557)	361	(420)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	**(3,416)**	**(285)**
Expenses	(145)	(219)	(306)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	**(2,469)**	**(206)**
Net Cash Surplus/(Deficit)	**(3,036)**	**(123)**	**(4,168)**	**(1,800)**	**(1,800)**	**(1,800)**	**6,800**	**(1,800)**	**(1,800)**	**(1,800)**		**(1,800)**	**(14,927)**	**(1,244)**
Distributions	-	-	1,510	-	-	2,500	-	-	1,500	-	-	2,500	**8,010**	**668**
Net Cash Surplus/(Deficit) including investment income	**(3,036)**	**(123)**	**(2,658)**	**(1,800)**	**(1,800)**	**700**	**6,800**	**(1,800)**	**(300)**	**(1,800)**	**(1,800)**	**700**	**(6,917)**	**(576)**
Withdrawals from Custody Cash	-	-	2,500	2,000	2,000	-	-	-	-	-	-	-	**6,500**	**542**
Balance c/f	**1,095**	**971**	**814**	**1,014**	**1,214**	**1,914**	**8,714**	**6,914**	**6,614**	**4,814**	**3,014**	**3,714**	**(417)**	**(35)**

Current Account Cashflow Actuals Compared to Forecast During the October to December 2018 Quarter

	Oct-18		Nov-18		Dec-18		Oct – Dec 18
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,000	2,160	2,000	2,501	2,000	851	(488)
Pensions	(2,800)	(2,713)	(2,800)	(2,759)	(2,800)	(3,143)	(214)
Lump Sums	(600)	(782)	(600)	(7)	(600)	(1,151)	(140)
Net TVs in/(out)	(200)	(1,557)	(200)	361	(200)	(420)	(1,016)
Expenses	(200)	(145)	(200)	(219)	(200)	(306)	(69)
Distributions	-	-	-	-	1,500	1,510	10
Distributions	-	-	-	-	-	2,500	2,500
Total	**(1,800)**	**(3,036)**	**(1,800)**	**(123)**	**(300)**	**(158)**	**583**

Notes on variances during quarter:

- Pension payments in December include HMRC payments for November and December. These are usually paid a month in arrears.
- Contributions in December had a shortfall of about £2m due to a change in income manager. This resulted in the main employer contributions being paid on the statutory deadline.
- The fund had to drawdown £2.5m in December to cover the shortfall in income and unexpected increase in expenditure.
- Contributions forecast for April includes £8.6m in Employer Deficit Contribution

Pension Fund Custody Invested Cashflow Actuals and Forecast for period October 2018 to September 2019

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Forecast Annual Total
	£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	**25,719**	**64,884**	**27,651**	**25,876**	**23,876**	**23,476**	**23,476**	**25,076**	**25,076**	**26,676**	**26,676**	**28,276**	**£000s**
Sale of Assets	34,908												**34,908**
Purchase of Assets		(37,318)	(1,012)										**(38,329)**
Net Capital Cashflows	**34,908**	**(37,318)**	**(1,012)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(3,421)**
Distributions	4,227		1,751		1,600		1,600		1,600		1,600		**12,378**
Interest	11	14	24										**49**
Foreign Exchange Gains/Losses	18	71	(38)										**51**
Class Actions													**0**
Net Revenue Cashflows	**4,256**	**85**	**1,737**	**0**	**1,600**	**0**	**1,600**	**0**	**1,600**	**0**	**1,600**	**0**	**12,478**
Net Cash Surplus/(Deficit) excluding withdrawals	**39,165**	**(37,233)**	**726**	**0**	**1,600**	**0**	**1,600**	**0**	**1,600**	**0**	**1,600**	**0**	**9,057**
Withdrawals from Custody Cash			(2,500)	(2,000)	(2,000)								**(6,500)**
Balance c/f	**64,884**	**27,651**	**25,876**	**23,876**	**23,476**	**23,476**	**25,076**	**25,076**	**26,676**	**26,676**	**28,276**	**28,276**	**2,557**

Notes on Invested Cash Movements

- The Pension Sub-Committee agreed to sell the remaining Majedie holdings outside of the LCIV. The holdings were liquidated for £34.9m.
- In October, £4.2m was distributed back to the pension fund as follows:
  - £2.0m from the Invesco Private Equity Funds
  - £1.7m from Partners Group Multi Asset Credit Fund
  - £0.5m was an early investor rebate from the Partners Group Direct Infrastructure Fund
- In November, £37.3m was invested as follows:
  - £35.2m into the LGIM All World passive equities holdings
  - £1.1m capital call into the Partners Group Direct Infrastructure Fund
  - £1.0m capital call into the Aviva Infrastructure Fund
- The assets purchased in December were £1.0m capital call into the Partners Group Direct Infrastructure Fund. The Multi Asset Credit Fund also paid back £1.7m in distributions.

London Borough of Hammermsmith & Fulham Pension Fund Risk Register - Investment Risk														
Risk Group	New	Risk Ref.	Previous	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on
					Fund	Employers	Reputation	Total						
Funding		1	1	Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	3	33	Review at each triennial valuation and challenge actuary as required	3	33	04/02/2019
Governance		2	2	That the London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitous.	5	4	3	12	3	36	TREAT - 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. Member presence on Shareholder Committee and officer groups.	2	24	04/02/2019
Funding		3	3	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	20	TOLERATE - 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	20	04/02/2019
Funding		4	4	Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	20	TOLERATE - 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).	2	20	04/02/2019
Investment		5	5	Significant volatility and negative sentiment in global investment markets following disruptive politically inspired events in US.	5	4	1	10	3	30	TREAT- 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.	2	20	04/02/2019
Funding		6	6	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%	5	3	2	10	3	30	TREAT- 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection.	2	20	04/02/2019
Funding		7	15	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	2	20	TOLERATE - 1) Political power required to effect the change.	2	20	04/02/2019
Investment		8	7	Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.1m.	5	3	1	9	3	27	TREAT- 1) The Investment Management Agreements (IMAs)clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved.. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	18	04/02/2019
Investment		9	8	Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union, lack of any trade deal struck by 29 March 2019 and the economic after effects.	4	4	1	9	3	27	TREAT- 1) Officers to consult and engage with advisors and investment managers. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of hedging currency and equity index movements.	2	18	04/02/2019

Investment		10	9	Increased risk to global economic stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Geo-political risk as a result of events and political uncertainty.	4	3	1	8	3	**24**	TREAT- 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.	2	**16**	04/02/2019
Funding		11	10	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	**16**	TOLERATE - 1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. Employer responsibility to flag up potential for major bulk transfers outside of the Westminster Fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Need to make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation.	2	**16**	04/02/2019
Governance		12	11	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	**24**	TREAT - 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 Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.	2	**16**	04/02/2019
Operational		13	12	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	2	2	3	7	2	**14**	TOLERATE - Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	2	**14**	04/02/2019
Funding		14	13	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	**14**	TOLERATE - 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	**14**	04/02/2019
Funding		15	14	Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	**26**	TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	**13**	04/02/2019
Governance		16	16	Changes to LGPS Regulations	3	2	1	6	2	**12**	TREAT - 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	04/02/2019
Governance		17	17	Failure to take difficult decisions inhibits effective Fund management	5	3	4	12	2	**24**	TREAT-1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. Officers ensure that the basis of decision making is grounded in the Investment Strategy Statement (ISS), Funding Strategy Statement (/FSS), Governance policy statement and Committee Terms of Reference and that appropriate advice from experts is sought	1	**12**	04/02/2019

Investment	*	18		Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	18	TREAT- 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum which engages with companies on a variety of ESG issues including climate change	2	12	04/02/2019
Governance	*	19		Failure by the audit committee to perfom its governance, assurance and risk management duties	3	2	1	6	3	18	TREAT- 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Sub-Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governence issues are regularly tabled.	2	12	04/02/2019
Funding		20	18	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.	5	4	2	11	2	22	TREAT - Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. Cashflow requirement is a factor in current investment strategy review.	1	11	04/02/2019
Funding		21	19	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	TREAT- 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to fixed income. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	11	04/02/2019
Financial		22	20	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	22	TREAT - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	04/02/2019
Operational		23	21	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	22	TREAT - 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) Phasing out of holding records via paper files. 3) Pensions Admin (Surrey County Council) manual records are locked daily in a secure safe. 4) WCC IT data security policy adhered to.	1	11	04/02/2019
Governance		24	22	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	TREAT - Officers maintain knowledge of legal framework for routine decisions. Eversheds retained for consultation on non-routine matters.	1	11	04/02/2019
Funding		25	23	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	22	TREAT - 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.	1	11	04/02/2019
Governance		26	24	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	TREAT - At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.	1	10	04/02/2019
Operational		27	25	Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	20	TREAT - 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	10	04/02/2019
Governance		28	26	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	20	TREAT - 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	2	10	04/02/2019

Investment		29	27	Failure of global custodian or counterparty.	5	3	2	10	2	20	TREAT - 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.	1	10	04/02/2019
Operational		30	28	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).	1	10	04/02/2019
Investment		31	29	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	2	20	TREAT - 1) Proportion of total asset allocation made up of equities, bonds, property funds and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review ttake place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	1	10	04/02/2019
Operational		32	30	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	15	TREAT - 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed. Stage AGM every year.	2	10	04/02/2019
Governance		33	31	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.	4	3	3	10	2	20	TREAT - 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.	1	10	04/02/2019
Governance		34	32	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	20	TREAT - 1) Publication of all documents on external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	10	04/02/2019
Funding		35	33	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	18	TREAT - 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.	1	9	04/02/2019
Governance		36	34	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	18	TREAT - External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	9	04/02/2019
Operational		37	35	Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage.	3	2	4	9	2	18	TREAT-1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors.	1	9	04/02/2019

Financial		38	36	Inaccurate cash flow forecasts or drawdown payments lead to shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available	3	4	2	9	2	**18**	TREAT - 1) Borrowing limits with banks are set at levels that are more than adequate should cash be required at short notice. 2) Cashflow analysis of pension fund undertaken at regular intervals.	1	**9**	04/02/2019
Regulation		39	37	Loss of flexibility to engage with Fund Managers that the fund has not 'opted up' with regard to new products, resulting in reduced knowledge about investment opportunities that may benefit the fund. (The Fund is a retail client to counterparties unless opted up)	5	2	2	9	2	**18**	TREAT - More reliance on investment advisor to keep Officers and Committee updated. Officers are considering other financial institution outside of the current mandates to 'opt up' with. Maintaining up to date information about the fund on relevant platforms. Fund can opt up with prospective clients.	1	**9**	04/02/2019
Governance		40	38	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	**18**	TREAT - 1) Ensure that an cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	04/02/2019
Regulation		41	39	Loss of 'Elective Professional Status' with any or all of existing Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options.	4	2	2	8	2	**16**	TREAT - Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. There is a training programme and log in place to ensure knowledge and understanding is kept up to date. Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	**8**	04/02/2019
Funding		42	40	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	2	**14**	TREAT - Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	**7**	04/02/2019
Regulation		43	41	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	**14**	TREAT - 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.	1	**7**	04/02/2019
Governance		44	42	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	2	**12**	TREAT- 1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines.	1	**6**	04/02/2019

London Borough of Hammersmith and Fulham Pension Fund Risk Register - Adminstration Risk

Risk Group	New	Risk Ref.	Previous	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
					Fund	Employers	Reputation	Total						
Admin		1	1	Bank reconcilations no longer carried out by BT. Income processing from the bank is being brought in house, no process in place yet. HCC may take on the process but no firm guarantee in place yet. Income not being posted to the system increasing workload for the pensions finance team, potentially for errors and accounts inaccuracy.	2	2	2	6	4	**24**	TREAT 1) Finance at Hammersmith to work with HCC and the Tri-Borough Pensions to come up with a solution to ensure bank reconcilations and income is posted promptly and accurately.	3	**18**	04/02/2019
Admin		2	2	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	**27**	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	04/02/2019
Admin		3	3	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	**21**	TREAT 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	**14**	04/02/2019
Admin		4	4	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	**22**	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis. TOLERATE 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members are able to interrogate data to ensure accuracy.	1	**11**	04/02/2019
Admin		5	5	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	TREAT 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams.	1	**10**	04/02/2019
Admin		6	6	BT contract wind down could lead to problems for retirements in 18/19 where data is on two different systems. All returns must be completed prior to BT contract ceasing. The move to Hampshire CC due in December 2018 and ensuring that key working practices continue such as the pension interface will be a Key to reduce risks to members.	1	2	2	5	2	**10**	TREAT 1) People Services are working with HCC and BT to ensure service transfer is smooth as possible. 2) 2017/18 LGPS files were checked by People Services in June 2018.	2	**10**	04/02/2019
Admin		7	7	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.	5	2	2	9	2	**18**	TREAT 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action.	1	**9**	04/02/2019

Admin		8	8	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	**16**	TREAT 1) The Fund has generally good internal controls with regard to the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.	1	**8**	04/02/2019
Admin		9	9	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	**16**	TREAT 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for Surrey CC to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	**8**	04/02/2019
Admin		10	10	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	TREAT 1) Disaster recovery plan in place as part of the Service Specification between the Fund and Surrey County Council 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	**8**	04/02/2019
Admin		11	11	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	**14**	TOLERATE 1) 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	**7**	04/02/2019
Admin		12	12	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	2	3	6	2	**12**	TOLERATE 1) Surrey CC administers pensions for Surrey, East Sussex, LB Hillingdon and the Tri-Borough. Service has been excellent since this change was made.	1	**6**	04/02/2019
Admin		13	13	Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	**12**	TREAT 1) There are occasional circumstances where under/over payments are identified. Where underpayments 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.	1	**6**	04/02/2019
Admin		14	14	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	2	**6**	TREAT 1) Pension administration records are stored on the Surrey CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue, All files are backed up daily.	2	**6**	04/02/2019
Admin		15	15	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	**12**	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Surrey County Council.	1	**6**	04/02/2019
Admin		16	16	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	**6**	TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and Surrey County Council.	1	**6**	04/02/2019
Admin		17	17	Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	**10**	TREAT 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.	1	**5**	04/02/2019
Admin		18	18	Lack of productivity leads to impaired performance.	2	2	1	5	2	**10**	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	**5**	04/02/2019
Admin		19	19	Rise in ill health retirements impact employer organisations.	2	2	1	5	1	**5**	TREAT 1) Engage with actuary re assumptions in contrbution rates.	1	**5**	04/02/2019
Admin		20	20	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	1	**5**	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	04/02/2019
Admin		21	21	Poor reconciliation process leads to incorrect contributions.	2	1	1	4	2	**8**	TREAT 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	1	**4**	04/02/2019

Appendix 5: Pension Fund Voting Summary: October to December 2018

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.

LCIV Majedie voting information is as follows:

VOTING	
No. of companies	24
No. of meetings	26
No. of resolutions	233

LCIV Ruffer voting information is as follows:

VOTING	
No. of companies	6
No. of meetings	7
No. of resolutions	24

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 during the April to June 2018 quarter.

VOTING	
No. of companies	339
No. of meetings	367
No. of resolutions	2925

Appendix 6

Forward Plan for Pensions Sub-Committee – December 2018

Area of work	Mar 2019	Jun 2019	Sep 2019	Dec 2019
Governance	Quarterly Update Pack Pension Sub-Committee minutes IBC On-Boarding Update	Quarterly Update Pack Pension Sub-Committee minutes Business Plan Internal Audit Report Draft Annual Report	Quarterly Update Pack Pension Sub-Committee minutes	Quarterly Update Pack Pension Sub-Committee minutes
Investments	Fund Manager monitoring Fixed Income Strategy Review London CIV Update	Fund Manager monitoring Annual report to Scheme Advisory Board re pooling arrangements	Fund Manager monitoring Inflation Protection Strategy Review	Fund Manager monitoring
Funding	Funding Update (quarterly update)	Funding Update (quarterly update)	Funding Update (quarterly update) Actuarial Valuation Review	Funding Update (quarterly update)

Agenda Item 5

London Borough of Hammersmith & Fulham PENSIONS SUB-COMMITTEE 13 February 2019	hammersmith & fulham
MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME CONSULTATION	
Report of the Strategic Director, Finance and Governance	
Open Report	
Classification – For Information **Key Decision: No**	
Wards Affected: None	
Accountable Director: Philip Triggs, Tri-Borough Director of Pensions & Treasury	
Report Author: Philip Triggs, Tri-Borough Director of Pensions & Treasury	**Contact Details:** Tel: 0207 641 4136 E-mail: ptriggs@westminster.gov.uk

1. EXECUTIVE SUMMARY

1.1 The Ministry for Housing, Communities and Local Government (MHCLG) has been preparing new statutory guidance on LGPS asset pooling. This guidance will set out the requirements on administering authorities, replacing previous guidance, and builds on previous ministerial communications and guidance on asset pooling and investment strategies.

1.2 MHCLG is now inviting views on the draft guidance and the consultation process will close on 28 March 2019.

2. RECOMMENDATIONS

2.1 The Pensions Sub-Committee is recommended to note the draft guidance on pooling and express any desired feedback for the consultation process.

3 MHCLG DRAFT GUIDANCE

3.1 A summary of the key points are as follows:

3.2 Pool members must appoint a pooling company to implement their investment strategies, including the selection, appointment and dismissal of investment managers.

3.3 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account.

3.4 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period. However, some existing investments may be retained by pool members on a temporary basis if the cost of moving the existing investment to a pooling vehicle exceeds the benefits of doing so.

3.5 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and implement revised strategies post 1 April 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

3.6 There is no target set for infrastructure investment for pool members or pools, but pool members are expected to declare an ambition on investment in this investment category.

3.7 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports and accounts, following the CIPFA guidance 'Preparing the Annual Report', with effect from the 2018-19 annual report.

4 CONSULTATION

4.1 Not Applicable

5 LEGAL IMPLICATIONS

5.1 None

6 FINANCE AND RESOURCES IMPLICATIONS

6.1 Finance risks are outlined within the report.

7 IMPLICATIONS FOR BUSINESS

7.1 Not applicable

8 RISK MANAGEMENT

8.1 Risks are outlined within the report.

9 PROCUREMENT IMPLICATIONS

9.1 None

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES:

Appendix 1: MHCLG draft guidance on pooling

Local Government Pension Scheme

Statutory guidance on asset pooling

Contents

Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance,* issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

'Pool' the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool
'Pool member' an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance
'Pool governance body' the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)
'Pool company' the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members
'Pool fund' a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)
'Pool vehicle' an investment vehicle (including pool funds) made available to pool members by a regulated pool company
'Pooled asset' an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle
'Retained asset' an existing investment retained by a pool member during the transition period
'Local asset' a new investment by a pool member which is not a pooled asset

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy.*

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
- asset transition during the reporting year
- transition plans for local assets
- pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
- ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report.*

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

Agenda Item 6

<table>
<tr><td>London Borough of Hammersmith & Fulham

PENSIONS SUB-COMMITTEE

13 February 2019</td><td>h&f hammersmith & fulham</td></tr>
<tr><td colspan="2">FIXED INCOME STRATEGY</td></tr>
<tr><td colspan="2">Report of the Strategic Director, Finance and Governance</td></tr>
<tr><td colspan="2">Open Report</td></tr>
<tr><td colspan="2">Classification - For Decision

Key Decision: No</td></tr>
<tr><td colspan="2">Wards Affected: None</td></tr>
<tr><td colspan="2">Accountable Director: Philip Triggs, Tri-Borough Director of Pensions and Treasury</td></tr>
<tr><td>Report Author: Matt Hopson, Strategic Investment Manager</td><td>Contact Details:
Tel: 0207 641 4126
E-mail: mhopson@westminster.gov.uk</td></tr>
</table>

1. EXECUTIVE SUMMARY

1.1 This paper updates Pensions Sub-Committee Members on:

a. An overview of the current fixed income portfolio and its performance.
b. New fixed income investment categories that the Fund may wish to consider in fixed income.

2. RECOMMENDATIONS

2.1 The Sub-Committee is requested to note the current composition of the fixed income portfolio.

2.2 The Sub-Committee is requested to approve the continuation of the investments with Oak Hill and Ruffer (held through the LCIV).

2.3 The Sub-Committee is requested to consider:

a. One of the three options for the current Insight portfolio discussed in the report.

b. Commencement for a search for a private credit investment manager.

3 CURRENT FIXED INCOME PORTFOLIO

3.1 The Pension Fund has a diverse fixed income portfolio containing two managers with dynamic asset allocation strategies, one manger specialising in loans and one specialising in private markets.

3.2 The Fund also has two infrastructure managers that complement this portfolio. The portfolio is discussed in detail in Appendix 1. The total allocations of the Fund are listed in the table below:

3.3 Asset Allocation

The table below shows the assets held by each manager as at 31 December 2018 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
		30 Sept 2018 (£m)	31 Dec 2018 (£m)	30 Sept 2018 (%)	31 Dec 2018 (%)	
Majedie	UK Equity (Active)	168.9	117.7	16.0	11.9	15.0
LGIM	Global Equity (passive)	342.3	0.0	32.4	0.0	0.0
	Low Carbon Equity (passive)	0.0	339.9	0.0	34.4	30.0
	Total Equity	**511.2**	**457.6**	**48.4**	**46.3**	**45.0**
Ruffer	Absolute Return	130.9	123.8	12.4	12.5	10.0
Insight	Bonds Plus	87.0	86.3	8.2	8.7	10.0
	Total Dynamic Asset Allocation	**217.9**	**210.1**	**20.6**	**21.3**	**20.0**
Invesco	Private Equity	4.4	2.9	0.4	0.3	0.0
Unicapital	Private Equity	1.6	1.7	0.2	0.2	0.0
	Total Private Equity	**6.0**	**4.6**	**0.6**	**0.5**	**0.0**
Partners Group	Multi Asset Credit	38.3	28.2	3.6	2.9	5.0
Oak Hill Advisors	Diversified Credit Strategy	73.2	70.4	6.9	7.1	7.5
Partners Group	Direct Infrastructure	13.5	16.6	1.3	1.7	5.0
Aviva	Infrastructure Income	28.2	30.2	2.7	3.1	2.5
	Secure Income	**153.2**	**145.4**	**14.5**	**14.7**	**20.0**
M&G	Inflation Opportunities	102.3	103.0	9.7	10.4	10.0
Aberdeen Standard Investments	Long Lease Property	54.0	54.9	5.1	5.6	5.0
	Total Inflation Protection	**156.3**	**157.9**	**14.8**	**16.0**	**15.0**
LGIM	Liquidity Fund	10.9	10.9	1.0	1.1	0.0
	Total	**1,055.6**	**986.6**	**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

4 PRIVATE CREDIT ALLCOCATION

4.1 The Fund has a 5% allocation to private credit with Partners Group. The Fund invests in a range of different private markets, including real estate debt and infrastructure debt. This Fund is now in run off and as such is paying back its initial investment, with the value now standing at £28.2m.

4.2 The Sub-Committee is in a position to decide as to whether it should maintain this allocation. The options are:

a. To reinvest with the next Partners Group Fund.
b. To conduct a manager search for a private market manager.
c. To transfer the private credit allocation to an alternative asset class as the allocation continues to distribute back to the Fund.

4.2 Private credit has served the Pension Fund well so far and provides diversification from other fixed income asset classes, with a higher yield than a conventional bond fund.

4.3 It is recommended that the Fund maintains its allocation to private market debt. However, the Sub-Committee should first look at alternative options in the market first before committing further to Partners Group.

5 INSIGHT BONDS PLUS FUND

5.1 The Bonds Plus Fund invests in a range of fixed income securities and seeks to provide corporate bond like returns but delivering an absolute performance in all market types, with a performance target of three-month LIBOR plus 2%.

5.2 The fund has underperformed over three years, achieving annualised negative absolute returns of -0.6% over this time period, 3.1% below the target benchmark. This is mainly due to some macroeconomic calls that have not worked out well.

5.3 The Sub-Committee needs to consider whether this Fund remains appropriate for the portfolio in the long term. The three main options for the Sub-Committee to consider are:

a. To persevere with the Insight Bonds Plus Fund.
b. To consider whether an alternative strategy would be more appropriate, relying more on market returns such as:

    i. Buy and Maintain Bonds
    ii. Asset Backed Securities

5.4 The Sub-Committee could also seek to reduce its overall fixed income allocation and reallocate into other areas. However, given the attitude to risk in the markets currently this is not recommended.

6 CONSULTATION

6.1 Not Applicable

7 EQUALITY IMPLICATIONS

7.1 Not applicable

8 LEGAL IMPLICATIONS

8.1 None

9 FINANCE AND RESOURCES IMPLICATIONS

9.1 Finance risks are outlined within the report.

10 IMPLICATIONS FOR BUSINESS

10.1 Not applicable

11 RISK MANAGEMENT

11.1 Risks are outlined within the report.

12 PROCUREMENT IMPLICATIONS

12.1 None

13 IT STRATEGY IMPLICATIONS

13.1 None

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES:

(EXEMPT) Appendix 1: Fixed Income Strategy

London Borough of Hammersmith & Fulham **PENSIONS SUB-COMMITTEE** **13 February 2019**	
MEMBER KNOWLEDGE AND SKILLS TRAINING	
Report of the Strategic Director, Finance and Governance	
Open Report	
Classification – For Information **Key Decision: No**	
Wards Affected: None	
Accountable Director: Philip Triggs, Tri-Borough Director of Pensions & Treasury	
Report Author: Philip Triggs, Tri-Borough Director of Pensions & Treasury	**Contact Details:** Tel: 0207 641 4136 E-mail: ptriggs@westminster.gov.uk

1. EXECUTIVE SUMMARY

1.1 This report contains the Knowledge and Skills Self-Assessment training form to be completed by committee members.

2. RECOMMENDATIONS

2.1 The Pensions Sub-Committee is recommended to note and comment on the updated Knowledge and Skills Self-Assessment training form.

APPENDICES:

Appendix 1: Knowledge and Skills Self-Assessment Form

London Borough of Hammersmith & Fulham

Knowledge and Skills Self-Assessment

Name: ______________________________

Role: Pensions Sub-Committee Member

1. Pensions legislative and governance context

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

Awareness of the law relating to pensions in the UK	
Overall understanding of the Local Government Pension Scheme regulations in relation to benefits, administration and investments	
Knowledge of the discretion policies in place for the Fund and other policies regarding administration	
Understanding of the role and powers of the Pensions Regulator, and the Scheme Advisory Board	
Understanding of the role of the Investment Committee, pensions board, director of finance and monitoring officer	
Awareness of Environmental, Social and Governance (ESG) investment issues	
Awareness of the UK Code of Corporate Governance and the Stewardship code	

2. Pensions accounting and auditing standards

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

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

3. Financial services procurement and relationship management

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

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

4. Investment performance and risk management

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

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

5. Financial markets and products knowledge

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

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

6. Actuarial methods, standards and practices

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

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

Signed: ____________________________ Date: ________________________

Once completed, please return to:

Phil Triggs
Tri-Borough Director of Treasury & Pensions

ptriggs@westminster.gov.uk