London Borough of Hammersmith & Fulham

Pension Fund Sub-Committee

Agenda

Wednesday 3 March 2021 at 6.30 pm
Online - Virtual Meeting

MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy (Chair) Councillor Jonathan Caleb-Landy Councillor Rowan Ree	Councillor Matt Thorley
Co-optee	
Michael Adam	

CONTACT OFFICER: Amrita Gill
Committee Coordinator
Governance and Scrutiny
☎: 07776 672845
E-mail: amrita.gill@lbhf.gov.uk

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https://youtu.be/wLREg3DXW3M

Date Issued: 23 February 2021
Updated: 2 March 2021

Pension Fund Sub-Committee Agenda

Item		**Pages**
1.	**APOLOGIES FOR ABSENCE**	
2.	**ROLL CALL AND DECLARATIONS OF INTEREST**	
3.	**MINUTES OF THE PREVIOUS MEETING**	6 - 8

1. APOLOGIES FOR ABSENCE

2. ROLL CALL AND DECLARATIONS OF INTEREST

To confirm attendance, the Chair will perform a roll call. Members will also have the opportunity to declare any interests.

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 Standards Committee.

3. MINUTES OF THE PREVIOUS MEETING 6 - 8

To approve the minutes of the meeting held on 3 February 2021.

This item includes an appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Sub-Committee members only.

Any discussion on the contents of an exempt appendix will require the Sub-Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.

4. **INDEPENDENT REVIEW OF THE GOVERNANCE ARRANGEMENTS FOR THE PENSION FUND** 9 - 25

This item presents an independent review of the governance arrangements for the pension fund.

This report has an appendix that contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Sub-Committee members only.

Any discussion on the contents of an exempt appendix will require the Sub-Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.

5. **PROPOSED IMPROVEMENTS TO PENSION FUND GOVERNANCE ARRANGEMENTS** 26 - 35

This report recommends changes to further improve the governance arrangements of the Local Government Pension Scheme in H&F following an independent review.

6. **PENSIONS ADMINISTRATION UPDATE** 36 - 47

This report provides an update on the progress being made to implement the recommendations approved on 31 July 2020 including the timetable for the implementation of the new Retained Pensions Team, the procurement of the new service provider and the data improvement programme.

7. **PENSIONS ADMINISTRATION PERFORMANCE** 48 - 52

This paper sets out a summary of the performance of Surrey County Council in providing a pension administration service to the Fund.

8. **INVESTMENT CONSULTANCY PROCUREMENT** 53 - 55

This report requests approval to award a contract for investment consultancy.

This report has an appendix that contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Sub-Committee members only.

Any discussion on the contents of an exempt appendix will require the Sub-Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.

9. ACTUARIAL SERVICE PROCUREMENT

This item was withdrawn.

10. GROUND RENTS AND SOCIAL SUPPORTED HOUSING 56 - 61

This paper provides more detailed information on the two asset classes that the Sub-Committee agreed to take forward as potential replacements for the Fund's Inflation Protection allocation.

This report has an appendix that contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Sub-Committee members only.

Any discussion on the contents of an exempt appendix will require the Sub-Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.

11. QUARTERLY UPDATE PACK 62 - 125

This paper provides a summary of the Pension Fund's overall performance for the quarter ended 31 December 2020.

This report has an appendix that contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Sub-Committee members only.

Any discussion on the contents of an exempt appendix will require the Sub-Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.

12. INDEPENDENT CONSULTANT REVIEW 126 - 129

This paper provides a summary of the case for appointing an independent investment advisor to the Pension Fund Sub-Committee.

13. LEISURE DEVELOPMENT FUND: ASSET CLASS REVIEW 130 - 132

This paper provides information on a niche alternative asset class in Leisure Development.

This report has an appendix that contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Sub-Committee members only.

Any discussion on the contents of an exempt appendix will require the Sub-Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.

14. 2021/22 BUSINESS PLAN 133 - 148

This item presents the 2021/22 business plan, including strategic medium-term objectives and a budget forecast for 2021/22.

15. EXEMPT DISCUSSION (IF REQUIRED)

LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION

Proposed resolution:

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.

London Borough of Hammersmith & Fulham

Pension Fund Sub-Committee

Minutes

Wednesday 3 February 2021

NOTE: This meeting was held remotely. A recording of the meeting can be found at: https://youtu.be/xPJ03mkWdoM

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Matt Thorley, Jonathan Cale Landy and Rowan Ree

Co-opted members: Michael Adam

Officers: Rhian Davies (Director of Resources), Dawn Aunger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager), Gareth Hopkins (Pensions Consultant), Phil Triggs (Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager)

1. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor Jonathan Caleb-Landy

Councillor Jonathan Caleb-Landy joined the meeting at 18:35pm

2. ROLL CALL AND DECLARATIONS OF INTEREST

The Chair carried out a roll call to confirm attendance. There were no declarations of interest

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED
That the minutes of the meeting held on 24th November 2020 were approved.

4. NEW MEMBERSHIP OF THE PENSION FUND SUB-COMMITTEE

RESOLVED
That the new membership for the Pension Fund Sub-Committee was noted.

5. PENSIONS ADMINISTRATION UPDATE

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the report and provided a summary of the reasons why an independent review on Surrey County Council (SCC) was commissioned. Having considered the findings of the independent review undertaken by an independent pension's advisor, the Council served a 12 months' notice of termination on SCC for the provision of the pension's administration service. A shared service arrangement with the Royal Borough of Kensington and Chelsea (RBKC) would also come to an end at 31st December 2020 and that a in house retained pensions team would be established to take on the functions previously undertaken by RBKC.

It was noted that the report sets out the work done to assess the private and public provider markets, and having completed that assessment, the steps taken to assess and evaluate three public-public providers to make recommendations to Committee for the appointment of a future partner to provide the pensions administration service.

The Chair asked for further clarification to be provided on the current market position for pensions administration services across other Local Authorities. In response David Hughes, explained that there was a small number of private sector providers who had LGPS clients. It was noted that 9 other Local Authorities had already joined with the Local Pensions Partnership Administration (LPPA) to provide their pensions administration service. In addition, many other Local Authorities had implemented their own in-house service or collaborated with their neighbouring boroughs.

The Chair asked for a summary of the services that were provided by SCC. Eleanor Dennis (Pensions Manager), outlined all the services provided by SCC. These included maintaining pensions records for all membership types, advising on regulatory changes within the LGPS, switching pensions into payments and dealing with applications for retirement and transfers.

Michael Adam (Co-opted Member) felt that poor data quality had been the cause of majority of the issues faced with SCC and asked whether the recommended provider would offer improved engagement with scheme members. David Hughes explained that the recommended provider, offered a high-quality service with regards to data quality improvement and maintenance.

RESOLVED:
That the Sub-Committee:

- Approved for LBHF to join a public to public arrangement with Local Pensions Partnership Administration for the provision of the pension's administration service, by delegating this council function pursuant to Section 101 of the Local Government Act 1972, subject to there being an agreed Delegation Agreement.

- Noted that regular updates on progress moving to the Partnership, including costs, are made to Pension Fund Sub-Committee and Pensions Board.

6. ANY OTHER BUSINESS

The sub-committee agreed, 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.

Meeting started: 6:30pm
Meeting ended: 7:40pm

Chair ....

Contact officer: Amrita Gill
Committee Co-ordinator
Governance and Scrutiny
☎: 07776672845
E-mail: amrita.gill@lbhf.gov.uk

London Borough of Hammersmith & Fulham

Report to: Pension Fund Sub-Committee

Date: 3 March 2021

Subject: Independent Review of the Governance Arrangements for the Pension Fund

Report of: Phil Triggs, Director of Treasury and Pensions

Executive Summary

1.1 This paper provides the Pensions Sub-Committee with the report of an independent consultant commissioned by officers reference an independent review of the governance arrangements for the pension fund.

Recommendations

1. The Pensions Sub-Committee is recommended to note the report which sets out the officer responses to the 32 recommendations made by the review.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

- None

Legal Implications

- None

Contact Officers:

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Name: Eleanor Dennis
Position: Pensions Manager
Telephone: 07551 680552
Email: edennis@lbhf.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

Consultant report

DETAILED ANALYSIS

1. Background

1.1. A Tri-Borough Treasury and Pensions review was commissioned in 2019 and a report published early in 2020. The review concluded that the Tri-Borough arrangement for Treasury and Pensions should continue and a further recommendation determined that officers should carry out an independent governance review of the LBHF Pension Fund.

1.2. An experienced LGPS practitioner was appointed, John Raisin, ex S151 officer of LB Waltham Forest.

1.3. John completed his governance report in November 2020 and the report is attached as Appendix 1.

1.4. The report conclusion on page 3, which relates to the approach of the Pensions Sub-Committee, states that its Members have "…sought to discharge their responsibilities diligently."

1.5. The Tri-Borough Treasury and Pensions Team and LBHF officers have spent much time digesting the report and its 32 recommendations, many of which are very easily implemented, some of which will need to be carried out after the implementation of the new pensions administration service, and some which will require further consideration as necessary.

1.6. This report summarises where officers stand on the recommendations and the suggested way forward on each of the 32 recommendations.

REPORT RECOMMENDATIONS

2. Changes to the Committee Structure

Recommendation 1

2.1. The Council give consideration to the removal of all reference to the Pensions function from the Terms of Reference of the Audit and Pensions Committee and that this Committee be renamed the Audit Committee.

The Director of Resources and Head of Governance have indicated their agreement to this change.

Timeline: immediate. Separate report for 3 March 2021 agenda.

Recommendation 2

2.2. The Council give consideration to revising the Constitution to place all responsibility for the LGPS pensions function with the Pension Fund Sub-

Committee and that this be renamed “The Pension Fund Committee” and that its elected member membership be 6 voting councillors.

The Director of Resources and Head of Governance have agreed to the renaming of the Pension Fund Sub-Committee which will be renamed “The Pension Fund Committee” in order to bring the Council’s approach in its decision making in line with the vast majority of other LGPS Administering Authorities across England and Wales. The membership will increase from four to six.

Timeline: immediate. Separate report for 3 March 2021 agenda.

Recommendation 3

2.3. To amend the Responsibilities of the Pension Fund Sub-Committee (The Pension Fund Committee) as set out in Appendix 2 of this report.

The Director of Resources and Head of Governance have agreed to the updated terms of reference (attached as Appendix 2) to more broadly cover investment issues, governance and pensions administration, and to reflect changes in the LGPS Regulations 2013 and the LGPS (Management and Investment of Funds) Regulations 2016.

Timeline: immediate. Separate report for 3 March 2021 agenda.

Recommendation 4

2.4. The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt one or two non-administering authority non-voting members in order that Employers beyond the LBHF may participate in the decision making forum of the LBHF Pension Fund.

The Director of Resources and Head of Governance regard this as good practice as indicated in the 2008 Statutory Guidance.

Timeline: immediate.

Recommendation 5

2.5. The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.

The Director of Resources and Head of Governance regard this as good practice as indicated in the 2008 Statutory Guidance.

Timeline: immediate.

3. Changes to Pensions Administration

Recommendation 6

3.1. The Officers involved in preparing future LBHF Pension Fund Annual Reports specifically ensure both the inclusion and consideration of the Pension Administration Strategy as required by the LGPS Regulations and relevant Statutory Guidance.

The Tri-Borough Director of Treasury of Pensions agrees.

The Pensions Manager agrees.

Timeline: immediate

Recommendation 7

3.2. The Pensions Sub-Committee seek assurance from the Officers that the Annual Report and Statement of Accounts for 2019/20 have been prepared taking careful account of relevant Statutory Guidance (particularly that relating to preparing the Annual Report) and that in future years the Officers confirm this in the covering report presenting the draft Annual Report and Accounts.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager agrees.

Timeline: immediate

Recommendation 8

3.3. A Training Needs Assessment is urgently completed in respect of all Pension Board Members and that a comprehensive programme of training to address identified needs (including coverage of recent and current developments in the LGPS) be provided as soon as practical.

The Tri-Borough Director of Treasury and Pensions agrees. A comprehensive programme of training to address identified needs (including coverage of recent and current developments in the LGPS) will be provided as soon as practical.

The Pensions Manager agrees.

Timeline: immediate

Recommendation 9

3.4. That consideration be given to paying an allowance to Local Pension Board Members for actual attendance at Board Meetings (including any training held before a Board meeting).

The Director of Resources and Head of Governance have agreed that, in line with the Council's Members allowance scheme, Local Pension

Board members should be paid a flat rate allowance of £504 per annum payable by equal monthly instalments of £42.00 on the 15th of each month. Any allowances approved would be payable from the Pension Fund.

Timeline: immediate

Recommendation 10

3.5. A report and procedure relating to reporting Breaches of the Law, which is in accordance with the relevant guidance in The Pension Regulator's Code of Practice No 14, is urgently prepared for consideration and approval by the Pension Fund Sub-Committee.

The Tri-Borough Director of Treasury and Pensions agrees. A draft will be prepared in collaboration with the Pensions Manager.

The Pensions Manager agrees but delivery will be challenging with the current priorities and will aim to present this to the Committee and Board in the coming scheme year 2021/22.

Timeline: by 31 March 2022

Recommendation 11

3.6. Training on reporting Breaches of the Law is provided jointly for both Members of the Pension Fund Sub-Committee and the Local Pension Board as a matter of urgency.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager agrees.

Timeline: by 31 March 2022

Recommendation 12

3.7. A Breaches of the Law Log be maintained and is presented on a quarterly basis to the Pension Fund Sub-Committee and to each meeting of the Pension Board.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager agrees.

Timeline: immediate

Recommendation 13

3.8. The LBHF Knowledge and Skills Self-Assessment form (for Sub-Committee and Pension Board Members) be expanded to include a specific new section on Pensions Administration.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager agrees.

Timeline: by 31 March 2022

Recommendation 14

3.9. Appropriate training in respect of Pensions Administration be provided to both Sub-Committee and Local Pension Board Members as soon as practical.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager agrees, though this should be provided by an external source.

Timeline: by 31 March 2022

Recommendation 15

3.10. That consideration is given to scheduling regular training sessions, immediately before Pension Fund Sub-Committee meetings.

The Tri-Borough Director of Treasury and Pensions agrees. This already takes place routinely. The Tri-Borough team is also arranging its third half-day session in 2020/21 (across the Tri-Borough authorities), to be held on 25 February 2021.

The Pensions Manager agrees.

Already implemented

4. Finance and Risk

Recommendation 16

4.1. A comprehensive LBHF Pension Fund Medium Term Business Plan incorporating an Annual Plan and a detailed Annual Budget, is developed and approved annually by the Pension Fund Sub-Committee and formally monitored on a quarterly basis.

The Tri-Borough Director of Treasury and Pensions agrees. The business plan and budget 2021/22 are an agenda item for the 3 March 2021 committee meeting.

The Pensions Manager agrees.

Timeline: included within agenda for 3 March 2021

Recommendation 17

4.2. The LBHF Pension Fund annual budget should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and Employers.

The Tri-Borough Director of Treasury and Pensions agrees. The business plan and budget 2021/22 are an agenda item for the 3 March 2021 committee meeting.

The Pensions Manager agrees.

Timeline: included within agenda for 3 March 2021

Recommendation 18

4.3. That a Pensions risk policy be prepared for approval by the Pension Fund Sub-Committee which sets out the Pension Funds approach to risk. This should include a clear statement on the responsibilities of Officers in relation to Risk Management.

The Tri-Borough Director of Treasury and Pensions agrees. Risk registers are already routinely published for every committee and board meeting. A risk policy is being compiled in partnership with the Pensions Manager and the Council's Risk Manager.

The Director of Audit, Fraud, Risk and Insurance agrees and the risk policy should be aligned to the Council's overall risk policy, as well as being designed to cover the purpose and objectives of the Pension Fund. Key risks from the Pension Fund Risk Register will also be considered for inclusion in the Council's Corporate Risk Register.

Timeline: by 31 March 2022

Recommendation 19

4.4. Officers review the Risk Management process to seek to ensure that any revised process results in the effective implementation and utilisation of a Risk Management Cycle.

The Tri-Borough Director of Treasury and Pensions agrees. The Risk Management Cycle is set out in pages 4 to 7 of the CIPFA publication "Managing Risk in the Local Government Pension Scheme." (December 2018). This will be incorporated in the Risk Policy documentation.

The Pensions Manager agrees.

The Director of Audit, Fraud, Risk and Insurance agrees and the Council's Risk Manager will advise and support Pension Fund officers with this review. Following the implementation of the updated Risk Management Cycle, an internal audit review will be undertaken to provide independent assurance.

Timeline: by 31 March 2022

Recommendation 20

4.5. The Risk Register is redesigned with risks listed under each of the seven headings in the CIPFA Guidance on managing risks in the Local Government Pension Scheme, issued in 2018.

The Tri-Borough Director of Treasury and Pensions agrees. The Risk Register will be redesigned.

The Pensions Manager agrees and will collaborate on the redesign.

The Director of Audit, Fraud, Risk and Insurance agrees and the Council's Risk Manager will advise and support Pension Fund officers with the redesign of the Risk Register.

Timeline: by 31 March 2022

5. Audit

Recommendation 21

5.1. The LBHF Pension Fund have a separate and specific Annual Internal Audit Plan, approved by the Pension Fund Sub-Committee which includes a focus on Pension Administration issues in their broadest sense, both those carried out by the LBHF Pension Fund directly and those delegated to a third-party Pensions Administrator.

The Tri-Borough Director of Treasury and Pensions agrees and will liaise with both Internal Audit and the Pensions Manager.

The Pensions Manager agrees.

The Director of Audit, Fraud, Risk and Insurance will ensure that, following discussions with the Tri-Borough Director of Treasury and Pensions and Pensions Manager and a review of the Pension Fund Risk Register, that items will be included in the Internal Audit Plan presented to the Audit Committee. The elements of the Internal Audit Plan relating to the Pension Fund will also be reported to the Pensions Sub-Committee.

Timeline: to be incorporated into the Internal Audit planning cycle for 2021/22, where the plan will be reviewed on a quarterly basis

Recommendation 22

5.2. The Annual Internal Audit Plan should include Audits undertaken/Assurance reports commissioned by the LBHF Pension Fund from the Internal Audit service of the external Pensions Administration provider.

The Tri-Borough Director of Treasury and Pensions agrees and will liaise with Internal Audit.

The Pensions Manager agrees.

The Director of Audit, Fraud, Risk and Insurance will liaise with the Internal Audit service of the external Pensions Administration provider to establish the scope and nature of the work they plan to carry out on the service or have already completed. This will help to determine what reliance they can place on this work in planning work to be undertaken by the Council's Internal Audit Team.

Timeline: to be incorporated into the Internal Audit planning cycle for 2021/22, where the plan will be reviewed on a quarterly basis

6. External Employer Membership

Recommendation 23

6.1. A report to the Pension Fund Sub-Committee be prepared in respect of any "Community Admission Body" in the LBHF Pension Fund which specifically identifies the current position regarding their covenant with the Fund and which makes proposals for the ongoing monitoring and, as appropriate, strengthening of these covenant arrangements.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager agrees.

Timeline: by 31 March 2022

7. Communications and Administration

Recommendation 24

7.1. Given the Communications Policy has not been updated since 2016 it should be reviewed and updated as a matter of urgency and a new version presented to the Pension Fund Sub-Committee for their consideration and approval.

The Tri-Borough Director of Treasury and Pensions agrees

The Pensions Manager agrees, but delivery will be challenging with the current priorities, and will aim to present this to the Committee and Board in the coming scheme year 2021/22.

The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, agrees with the Pension Manager's assessment.

Timeline: by 31 March 2022

Recommendation 25

7.2. As the Pensions Administration Strategy dates from 2016, it should be thoroughly and comprehensively reviewed as soon as practical including meaningful consultation with all Scheme Employers and Members of the Pension Board.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager hopes to present a revised administration strategy in line with the LGPS guidance in the coming scheme year, but is mindful of large scale priority reference the change of administration provider. The impact of this on the in-house team should not be underestimated.

The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, agrees with the Pension Manager's assessment and notes that a new suite of KPIs (which are a key element of an administration strategy) will be agreed with the new service provider as part of the Delegation Agreement before the service goes live on 1 February 2022.

Timeline: by 31 December 2022

8. The Pensions Regulator (tPR) and Code of Practice 14

Recommendation 26

8.1. As a matter of urgency the Pension Fund Sub-Committee, and the Pension Board, receive a report and briefing from Officers on the requirements of The Pension Regulators Code of Practice No 14 "Governance and administration of public service pension schemes" of April 2015 and the implications and requirements of subsequent statements, surveys and reports issued by The Pensions Regulator applicable to the LGPS since 2015.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager notes the independent review by Gareth Hopkins, the implementation of a Pensions Taskforce, the recruitment of an inhouse pension administration team and the confirmation and selection of a new pension administration provider will already address

key issues. Therefore, it would be more appropriate to revisit this after the implementation of the new pension administration provider in 2022.

The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, agrees with the Pensions Manager's assessment.

Timeline: by 31 December 2022

Recommendation 27

8.2. As a matter of urgency, a review of compliance with the requirements of Code of Practice No 14, and any subsequent requirements of The Pensions Regulator, be commissioned and recommendations agreed to address areas of limited or non-compliance.

The Tri-Borough Director of Treasury and Pensions agrees.

The Pensions Manager notes the independent review by Gareth Hopkins, the implementation of a Pensions Taskforce, the recruitment of an in-house pension administration team and the confirmation and selection of a new pension administration provider will already addresses key issues. Therefore, it would be more appropriate to revisit this after the implementation of the new pensions administration provider in 2022.

The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, agrees with the Pensions Manager's assessment.

Timeline: by 31 December 2022

9. Fund Actuary

Recommendation 28

9.1. That the Fund Actuary should be fully appraised of the situation relating to the state and quality of the data/records of LBHF Pension Fund members as held by the Pensions Administration service provided by Surrey County Council and be asked for their comments, observations and suggestions with regard to this issue.

The Tri-Borough Director of Treasury and Pensions agrees. Data quality and its improvement is a major consideration and the Pensions Manager is very aware of the need for continual improvement. Such progress and the journey to quality improvement can be measured by the actuary.

The Pensions Manager is aware of the data issues in the Fund and is engaging with a third party, ITM, to address these in the coming year. The Pensions Manager is aware of the commentary and services that the actuary can provide and already carries out. This applies especially at

the time of the triennial valuation, when the actuary provides detailed information on gaps and faults in membership data.

Timeline: by 31 March 2022 (date of the actuarial valuation)

10. Tenders and Contract Awards

Recommendation 29

10.1. That appropriate expertise specifically relating to the LGPS, including as necessary, external support should be available in the formulation of the contract/tender documentation, actual contract award process and subsequent monitoring arrangements for the new external Pensions Administration service provider. Cognisance should also be taken of relevant CIPFA Guidance including “Administration in the LGPS A guide for pensions authorities” (November 2018) and “Managing Risk in the LGPS” (December 2018).

The Tri-Borough Director of Treasury and Pensions agrees. Work is currently being undertaken reference the contract documentation following the selection and appointment of a new pensions administration provider.

The Pensions Manager confirms that the Pensions Taskforce have already engaged with independent consultant, Gareth Hopkins, and are also consulting with Pension Fund legal advisors, Eversheds.

The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, confirms that appropriate internal and external specialist advice and support have been engaged to support the implementation of a delegation agreement for the service to be provided by Local Pensions Partnership (LPP), an experienced LGPS pensions administration provider.

Timeline: immediate

11. Management Structure

Recommendation 30

11.1. The LBHF Pension Fund carefully and seriously consider combining all activity of the Fund under a single senior officer.

This item needs discussion. The current responsibilities pertaining to the governance of the pension fund encompass two departments currently and a single officer responsibility will need to take account of this, as well as taking account of arrangements at the other Tri-Borough authorities.

The Pensions Manager notes that this recommendation has wider implications for the Tri-Borough service and the structure of both the Director of Resources and the Director of Finance team. A separate investigation is required if it is something that the Committee wishes to explore but the Committee should be mindful of the timing of such an investigation/implementation to ensure it avoids change saturation.

Timeline: not urgent and not subject to any deadline

Recommendation 31

11.2. Should the scope of the role of an existing officer be expanded to cover all the activity of the Pension Fund proper consideration be given to reviewing and consequently enhancing their terms and conditions of service including remuneration.

See 11.1.

Timeline: not urgent and not subject to any deadline

12. Advisors

Recommendation 32

12.1. The Pension Fund Sub-Committee consider the appointment of an Independent Advisor with a remit across the Governance, Investment, Funding, Pensions Administration and Training activity of the LBHF Pension Fund.

A separate report is included within the agenda.

The Pensions Manager agrees in principle that this is good practice but feels this should be periodic engagement rather than continuous, i.e., every two years.

Timeline: no deadline stated

List of Appendices:

Appendix 1: John Raisin Consultant Report (Exempt)
Appendix 2: Pension Fund Committee Proposed Terms of Reference

Appendix 2

SUGGESTED REVISED VERSION
Pension Fund Committee
Terms of Reference

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the London Borough of Hammersmith and Fulham Pension Fund. This includes but is not limited to the following matters:

a. **Reviewing and approving the statutory policies of the Fund including the Governance Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Pension Administration Strategy, Communications Strategy.**

b. **To determine the arrangements for the appointment of the Fund Actuary, Investment Consultant and any other Advisor that it may be determined appropriate to appoint.**

c. **To agree an annual Internal Audit Plan in respect of the Pension Fund which will include, at least, an annual assurance review of the Pensions Administration service.**

d. **To regularly receive and review a comprehensive Risk Register relating to the activities of the Pension Fund.**

e. **To agree the Business Plan and Annual Budget of the Fund.**

f. **To agree the Pension Fund Annual Report and Financial Statements.**

g. **To determine, approve and regularly monitor the arrangements relating to the provision of all matters relating to Pensions Administration functions and the provision of a Pensions Administration Service to the Pension Fund.**

h. **To receive regular performance monitoring reports, in such form as it determines, in respect of the Pensions Administration Service.**

i. **To review and approve a Reporting Breaches of the Law procedure for the Pension Fund and to regularly receive the Breaches Log.**

j. **To make and review an Admission Policy relating to the admission of employers to the Fund and be responsible for determining the admission of employers to the Fund.**

k. To agree the investment strategy and strategic asset allocation having regard to the advice of the Investment Consultant.

l. To determine the Fund management arrangements, including the appointment and termination of the appointment of Fund Managers.

m. To monitor the performance of the Pension Fund's appointed Fund Managers.

n. To determine the relationship of the Pension Fund with the London Collective Investment Vehicle (LCIV) and to monitor its activity and performance.

o. To determine the arrangements for the provision of Additional Voluntary Contributions (AVCs) for Fund members.

p. To ensure that the Covenants of Employers are thoroughly assessed as required and at least during every triennial actuarial valuation.

q. To receive from the Fund Actuary actuarial valuations of the Fund.

r. To consider and determine a response to any advisory recommendation received from the Local Pension Board.

s. To receive and consider the external auditors Annual Plan and Annual Report on the Pension Fund.

t. To ensure compliance with all relevant statutes, regulations, government guidance and other codes and best practice as applicable to the Local Government Pension Scheme.

u. To determine such other policies that may be required so as to comply with the requirements of Government or bodies acting on behalf of Government.

v. To ensure all members of the Committee undertake appropriate and ongoing training to fulfil their responsibilities.

Agenda Item 5

London Borough of Hammersmith & Fulham

Report to: Pension Fund Sub-Committee

Date: 03/03/2021

Subject: Proposed Improvements to Pension Fund Governance Arrangements

Report author: David Abbott, Head of Governance

Responsible Director: Rhian Davies, Director of Resources

SUMMARY

This report recommends changes to further improve the Governance arrangements of the Local Government Pension Scheme (LGPS) in H&F following an independent review by John Raisin Financial Services Limited.

RECOMMENDATIONS

1. That the Pension Fund Sub-Committee note the recommendations of the independent review by John Raisin Financial Services Limited and the officer responses, as set out in the report.

2. That the Pension Fund Sub-Committee endorse the proposed terms of reference of the Pension Fund Committee as set out in Appendix 1

3. That if the Pension Fund Sub-Committee endorses the terms of reference as set out in Appendix 1 that the Monitoring Officer is authorised to refer the changes to the terms of reference for approval to Full Council.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	Continuing to provide assurance regarding the governance of the Pension Fund thereby encouraging employees to join and/or remain members of the LGPS.
Being ruthlessly financially efficient	To review and assess governance and efficiency of the Pension Fund, recommending and making changes where necessary.

Taking pride in H&F	Ensuring a high standard of governance of the Pension Fund that continues to underpin the retention and recruitment of employees.

Financial Impact

The annual cost of additional Special Responsibility Allowances and any co-optee allowances will be met in full from the Pension Fund.

Legal Implications

Under Section 101 of the Local Government Act 1972, a local authority may arrange for the discharge of their functions by a committee or sub-committee.

This report is requesting endorsement by the Pension Fund sub-committee of changes to the terms of reference which will also create a Pension Fund Committee.

If the Pension Fund sub-committee endorses the changes to the terms of reference, a decision will need to be made by Full Council to create a Pension Fund Committee and adopt the new terms of the reference contained in the Council's constitution before the changes come into effect.

A recommendation has been included in the report to specify that if the proposed changes are endorsed by the Pension Fund sub-committee that that matter will then be referred to Full Council.

Contact Officers:

Name: David Abbott
Position: Head of Governance
Telephone: 07776 672877
Email: david.abbott@lbhf.gov.uk

Name: Andre Mark
Position: Finance Business Partner
Telephone: 020 8753 6729
Email: andre.mark@lbhf.gov.uk
Verified by Emily Hill, Director of Finance

Name: Adesuwa Omoregie
Position: Head of Law
Telephone: 020 8753 2297
Email: adesuwa.omoregie@lbhf.gov.uk

Background Papers Used in Preparing This Report
Independent review of the Governance arrangements of the H&F Local Government Pension Scheme (LGPS) produced by John Raisin Financial Services Limited

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DETAILED ANALYSIS

Proposals and Analysis of Options

John Raisin Financial Services Limited undertook a review of the Governance arrangements of the LBHF Local Government Pension Scheme that concluded in November 2020.

The review concluded that the Pension Fund Sub-Committee has, since 2015, exercised careful and considered oversight, governance and positive decision making in respect of the LBHF Pension Fund. The Members of the Pension Fund Sub-Committee have, based on the evidence examined, sought to discharge their responsibilities diligently. The level of support provided to the Sub-Committee in respect of Investment Issues and generally by the Tri-Borough Pensions and Treasury Team appears to have been of a very high standard.

The report noted that there are a number of areas where there is scope for clear improvement in the future Governance of the Fund. 6 out of the 32 recommendations relate to constitutional matters and which are copied below with officer commentary.

<u>Recommendations with officer comments</u>

Recommendation 1

1. That the Council give consideration to the removal of all reference to the Pensions function from the Terms of Reference of the Audit and Pensions Committee and that this Committee be renamed the Audit Committee.

2. **Officer Comment:** It is considered that a higher level of governance and clarity between the Audit and Pensions functions of the committee would result if the two were separated. This will allow the Audit Committee to give sufficient attention to important audit matters.

Recommendations 2 and 2b

3. That the Council give consideration to revising the Constitution to place all responsibility for the LGPS pensions function with the Pension Fund Sub-Committee and that this sub-committee be renamed “The Pension Fund Committee” and that its Elected Member membership be six voting councillors.

4. Any additional Special Responsibility Allowance (SRA) payable as a result of this change would be payable from the Pension Fund not the General Fund.

5. **Officer Comment:** Currently, the Audit and Pensions Committee plays no role in LGPS decision making. The function is wholly exercised by the Pension Fund Sub-Committee. The renaming of the Pension Fund Sub-Committee as "The Pension Fund Committee" would bring the Council's approach in its decision making in line with the vast majority of other LGPS Administering Authorities across England and Wales. We support that any additional SRA should be paid from the Pension Fund.

Recommendation 3

6. To amend the Responsibilities of the Pension Fund Sub-Committee (The Pensions Fund Committee) as set out below.

7. **Officer Comment:** The proposed terms of reference for the Pensions Fund Committee more broadly cover investment issues, governance and pensions administration. In addition, they reflect changes in the LGPS Regulations 2013 and the LGPS (Management and Investment of Funds) Regulations 2016.

<u>Pensions Fund Committee – Suggested Revised Responsibilities</u>

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the London Borough of Hammersmith and Fulham Pension Fund. This includes but is not limited to the following matters:

a) Reviewing and approving the statutory policies of the Fund including the Governance Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Pension Administration Strategy, Communications Strategy.

b) To determine the arrangements for the appointment of the Fund Actuary, Investment Consultant and any other Advisor that it may be determined appropriate to appoint.

c) To receive an annual Internal Audit Plan in respect of the Pension Fund which will include, at least, an annual assurance review of the Pensions Administration service and a report on the outcome of planned internal audit activity.

d) To regularly receive and review a comprehensive Risk Register relating to the activities of the Pension Fund.

e) To agree the Business Plan and Annual Budget of the Fund.

f) To agree the Pension Fund Annual Report and Financial Statements.

g) To determine, approve and regularly monitor the arrangements relating to the provision of all matters relating to Pensions Administration functions and the provision of a Pensions Administration Service to the Pension Fund.

h) To receive regular performance monitoring reports, in such form as it determines, in respect of the Pensions Administration Service.

i) To review and approve a Reporting Breaches of the Law procedure for the

Pension Fund and to regularly receive the Breaches Log.

j) To make and review an Admission Policy in relating to the admission of Employers to the Fund and be responsible for determining the admission of Employers to the Fund.

k) To agree the investment strategy and strategic asset allocation having regard to the advice of the Investment Consultant.

l) To determine the Fund management arrangements, including the appointment and termination of the appointment of Fund Managers.

m) To monitor the performance of the Pension Funds appointed Fund Managers.

n) To determine the relationship of the Pension Fund with the London Collective Investment Vehicle and to monitor its activity and performance.

o) To determine the arrangements for the provision of Additional Voluntary Contributions for Fund members.

p) To ensure that the Covenants of Employers are thoroughly assessed as required and at least during every Triennial Actuarial Valuation.

q) To receive, from the Fund Actuary, Actuarial Valuations of the Fund.

r) To consider and determine a response to any advisory Recommendation received from the Pension Board.

s) To receive and consider the External Auditors Annual Plan and Annual Report on the Pension Fund.

t) To ensure compliance with all relevant statutes, regulations, government guidance and other codes and best practice as applicable to the Local Government Pension Scheme.

u) To determine such other policies that may be required so as to comply with the requirements of Government or bodies acting on behalf of Government.

v) To ensure all members of the Sub-Committee undertake appropriate, and ongoing, training to fulfil their responsibilities.

Recommendation 4

8. That the Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt one or two non-administering authority non-voting members in order that Employers beyond the LBHF may participate in the decision making forum of the LBHF Pension Fund. If more than one employer representative is co-opted these should ideally be from different forms of employer (e.g. Academy school, contractor, charity).

9. **Officer Comment:** While there is no requirement for representatives of the employer and scheme members to be represented on the Pension Fund Sub-Committee, this would be good practice as indicated in the 2008 Statutory Guidance.

Recommendation 5

10. That the Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative. Seeking an Employee representative through the Trade Unions would likely be the most practical approach.

11. **Officer Comment**: While there is no requirement for representatives of the employer and scheme members to be represented on the Pension Fund Sub-Committee this would be good practice as indicated in the 2008 Statutory Guidance.

12. Given that the statutory responsibility for the governance and maintenance of the LGPS as administered by the LBHF lies with the authority, it is entirely appropriate, that the voting membership of the Pension Fund Sub-Committee (or a future Pension Fund Committee) should be retained wholly by serving Councillors of the LBHF.

Recommendation 6

13. That consideration be given to paying an allowance to Pension Board Members for actual attendance at Board Meetings (including any training held before a Board meeting).

14. **Officer Comment:** In line with the Council's Members allowance scheme, Pension Board Members can be paid a flat rate allowance of £504 per annum payable by equal monthly instalments of £42.00 on the 15th of each month. Any allowances approved would be payable from the Pension Fund.

Conclusion

15. Officers support the six recommendations listed above. With the Sub-Committee's endorsement of the recommendations and proposed terms of reference of the Pension Fund Committee. If the Committee endorses the proposals, the changes will be considered for approval at Annual Council on 28 April 2021.

Equality Implications

16. The Council has considered its obligations under the Equality Act 2010 and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Act, from the recommendations in this report.

Risk Management Implications

17. The report sets out officers' responses to the recommendations relating to the governance arrangements for the Hammersmith and Fulham Pension Fund. The actions which officers are recommending are in line with the Council's priorities, including being Ruthlessly Financially Efficient, and will also help to

ensure that the Pension Fund both meets its regulatory requirements and demonstrates effective and good practice in terms of its governance arrangements.

Implications verified/completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, Tel no: 07817 507 695

List of Appendices

Appendix 1 – Proposed Terms of Reference for the Pension Fund Committee

Appendix 1 – Proposed Terms of Reference for the Pension Fund Committee

Pension Fund Committee
Terms of Reference

Members
6 voting councillors

Political proportionality
4 Administration members
2 Opposition member

Quorum
3 Members of the Committee

Co-opted Members
The Committee may co-opt non-voting independent members, including employee representatives and non-administering authority members, as appropriate

1. Membership

1.1 The Chair will be drawn from one of the Administration Councillors; the Vice-Chair will be an Opposition Councillor.

1.2 The Committee may co-opt non-voting members, including employee representatives and non-administering authority members, as appropriate.

2. Voting

2.1 All Councillors on the Committee shall have voting rights. In the event of an equality of votes, the Chair of the Committee shall have a second casting vote. Where the Chair is not in attendance, the Vice-Chair will take the casting vote.

3. Procedures

3.1 Except as provided herein, Council Standing Orders (as applicable to Committees) shall apply at meetings of the Committee. In the event of a conflict between these procedures and any guidance or law then the latter will prevail.

3.2 Meetings of the Committee shall be held in public, subject to the provisions for considering exempt items in accordance with sections 100A-D of the Local Government Act 1972 (as amended).

4. Meetings

4.1 The Pensions Fund Committee will meet at least four times a year.

4.2 The Chair of the Committee may convene additional meetings as necessary.

4.3 The Chief Executive may ask the Committee to convene further meetings to discuss particular issues on which the Committee's advice is sought.

5. Reporting

5.1 The Pension Fund Committee will formally report back in writing to the full Council at least annually.

6. Responsibilities

6.1 To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the London Borough of Hammersmith and Fulham Pension Fund. This includes but is not limited to the following matters:

a) Reviewing and approving the statutory policies of the Fund including the Governance Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Pension Administration Strategy, Communications Strategy.

b) To determine the arrangements for the appointment of the Fund Actuary, Investment Consultant and any other Advisor that it may be determined appropriate to appoint.

c) To agree an annual Internal Audit Plan in respect of the Pension Fund which will include, at least, an annual assurance review of the Pensions Administration service.

d) To regularly receive and review a comprehensive Risk Register relating to the activities of the Pension Fund.

e) To agree the Business Plan and Annual Budget of the Fund.

f) To agree the Pension Fund Annual Report and Financial Statements.

g) To determine, approve and regularly monitor the arrangements relating to the provision of all matters relating to Pensions Administration functions and the provision of a Pensions Administration Service to the Pension Fund.

h) To receive regular performance monitoring reports, in such form as it determines, in respect of the Pensions Administration Service.

i) To review and approve a Reporting Breaches of the Law procedure for the Pension Fund and to regularly receive the Breaches Log.

j) To make and review an Admission Policy in relating to the admission of Employers to the Fund and be responsible for determining the admission of Employers to the Fund.

k) To agree the investment strategy and strategic asset allocation having regard to the advice of the Investment Consultant.

l) To determine the Fund management arrangements, including the appointment and termination of the appointment of Fund Managers.

m) To monitor the performance of the Pension Funds appointed Fund Managers.

n) To determine the relationship of the Pension Fund with the London

Collective Investment Vehicle and to monitor its activity and performance.

o) To determine the arrangements for the provision of Additional Voluntary Contributions for Fund members.

p) To ensure that the Covenants of Employers are thoroughly assessed as required and at least during every Triennial Actuarial Valuation.

q) To receive, from the Fund Actuary, Actuarial Valuations of the Fund.

r) To consider and determine a response to any advisory Recommendation received from the Pension Board.

s) To receive and consider the External Auditors Annual Plan and Annual Report on the Pension Fund.

t) To ensure compliance with all relevant statutes, regulations, government guidance and other codes and best practice as applicable to the Local Government Pension Scheme.

u) To determine such other policies that may be required so as to comply with the requirements of Government or bodies acting on behalf of Government.

v) To ensure all members of the Committee undertake appropriate, and ongoing, training to fulfil their responsibilities.

w) To take all contract and procurement decisions which impact upon the Council's Pension Fund.

Agenda Item 6

London Borough of Hammersmith & Fulham

Report to: **LBHF Pension Fund Sub-Committee**

Date: 03/03/2021

Subject: Update on the LGPS Pensions Administration Service

Report of: David Hughes, Director of Audit, Fraud, Risk and Insurance

Responsible Director: Rhian Davies, Director of Resources

Summary

This report follows up on the update report presented to the Pension Fund Sub-Committee on 24 November 2020 on the actions agreed by Members in light of the independent review commissioned into the Local Government Pension Scheme (LGPS) administration service provided to the Council and RBKC by Surrey County Council (SCC) under a section 101 delegation arrangement.

The Pension Fund Sub-Committee and the Pension Fund members need to be assured that the administration and governance of the Pension Fund is compliant with regulatory requirements, is effectively managing risk and providing a high-quality service.

This report provides an update for the Sub-committee on the progress being made to implement the recommendations approved on 31 July 2020 including the timetable for the implementation of the new Retained Pensions Team, the procurement of the new service provider and the data improvement programme.

Recommendations

1. That the contents of this report are noted and that further updates will be provided over the project duration.

Wards Affected: None

H&F Priorities	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	Continuing to provide assurance regarding the governance of the Pension Fund thereby encouraging employees to remain members of the LGPS.
Being ruthlessly financially efficient	To review and assess governance and efficiency of the Pension Fund, recommending and making changes where necessary.
Taking pride in H&F	Ensuring a high standard of governance of the Pension Fund that continues to underpin the retention and recruitment of employees.

Financial Considerations

All costs of Pension Fund administration are borne by the Pension Fund. These costs include the costs of any delegated or contracted arrangements and any shared or in-house retained pensions team. Any additional costs, such as data improvement, or transitional costs of moving to another delivery model will also be costs to the Pension Fund.

Some key areas of cost are still the subject of discussion and negotiation. Any decisions required as a result of the programme of work to terminate the current delegation arrangement and transition to the new delegation arrangement will require financial implications to be included in each decision report. Following agreement of these costs a detailed programme budget will be agreed and monitored and reported to the Committee.

Finance implications verified by Emily Hill, Director of Finance.

Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund “is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations”. Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation. This includes meeting legal requirements in respect of data, benefit statements, etc. It is at risk of an action being brought through the internal dispute resolution procedure, the Pensions Ombudsman, a court and/or the Pensions Regulator in the event of breach and/or any maladministration.

Legal Implications verified by Adesuwa Omoregie, Head of Law.

Contact Officers:

Name: Dawn Aunger
Position: Assistant Director, Transformation, Talent and Inclusion
Telephone: 07825 378492
Email: dawn.aunger@lbhf.gov.uk

Name: Emily Hill
Position: Director of Finance
Telephone: 07826 531 849

Email: Emily.Hill@lbhf.gov.uk

Name: David Hughes
Position: Director of Audit, Fraud, Risk and Insurance
Telephone: 07817 507 695
Email: David.Hughes(Audit)@lbhf.gov.uk

Name: Adesuwa Omoregie
Position: Head of Law
Telephone: 0208 753 2297
Email: Adesuwa.omoregie@lbhf.gov.uk

Name: Eleanor Dennis
Position: Pensions Manager
Telephone: 07551680552
Email: eleanor.dennis@lbhf.gov.uk

Background Papers Used in Preparing This Report

Reports to the Pension Fund Sub-Committee on 9 March 2020, 31 July 2020, 29 September 2020, 24 November 2020 and 3 February 2021.

Additional Details

Key considerations

1. This report sets out the progress made against the actions agreed following the report of 31 July 2020 to the Sub-committee, including the implementation of the new Retained Pensions Team, the procurement of the new service provider and the data improvement programme. Previous updates were provided in September and November 2020.

   What were the immediate actions identified in the report of 31 July 2020?

2. The Pension Fund Sub-Committee approved the recommendations set out in the Committee report of 31 July 2020, in light of the independent review of the Pensions Administration Service:

   - Reporting the concerns identified in the independent review report to the Pensions Regulator and notifying SCC that this is being done;
   - Serving 12 months' notice of termination on SCC in respect of the pension's administration service;
   - Taking necessary steps to create a detailed service specification and carry out a competitive tender for a replacement pensions administration service, engaging external expertise where appropriate;
   - Noting that the shared service arrangement with RBKC will come to an end at 31 December 2020 and that a suitable transition plan for the retained pensions service needs to be agreed;
   - Reviewing, agreeing, implementing and monitoring a data improvement plan with SCC and RBKC; and,
   - Establishing and recruiting to the post of Retained Pensions Manager for LBHF.

3. In December 2020, having reviewed the options for a new pensions administration service provider, the Director of Resources formally served notice on SCC that the Council wished to terminate its agreement with SCC on 31 January 2022.

4. The Council is required to provide a workplace pension scheme (in accordance with the Pension Act 2004) for its employees via the Local Government Pension Scheme. The Public Sector Service Act 2013 sets out detail of membership and establishment of a pension board to oversee the managing of the public service Pension Fund. Under the Act, the Pension Regulator issues code of practice. Code 14 sets out the legal requirements for public service pension schemes and contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

5. As the Council has served notice on SCC, it has to take steps to put in place a pensions administration service which is complaint with the regulations and provides an effective and high quality service to the Fund's Members and Employer bodies. On 3 February 2021, the Committee approved the recommendation for the HFPF pensions administration service to be provided by the Local Pensions Partnership Administration (LPPA) hosted by Lancashire County Council.

   What are the key project risks?

6. As reported at the previous meeting, the Pensions Taskforce identified a number of key risks which need to be taken into account:

- In serving notice on SCC, insufficient time is allowed for the development of the service specification and tendering process to be completed, along with a period of mobilisation for the new provider to ensure the new service is able to fully commence at the end of the notice period.

  To manage this risk, a detailed project plan was developed and is being maintained. This was being used to inform the timing of serving notice on SCC, this has already been communicated to them. As set out earlier in the report, notice was served on SCC in December 2020 to terminate the agreement on 31 January 2022. The Sub-committee have approved entering into a delegation agreement for the service to be provided by LPPA, with a clear and achievable timetable proposed to ensure the new service can go live on 1 February 2022.

- The new Retained Pensions Team is not created and put in place in a timely manner or has insufficient capacity to manage the transition period and transfer of functions from RBKC by 31 December 2020.

  A structure for the Retained Pensions Team was agreed and a successful recruitment undertaken. The Pensions Manager commenced on 2 November 2020; two permanent Pensions Advisors were appointed in December 2020 and in January 2021. Changes to the structure were agreed by the Taskforce, to include a temporary resource which commenced ahead of the transition of functions from the RBKC shared retained team at the end of December 2020. A detailed transition plan was put in place and reviewed on a weekly basis. The transfer of functions was completed as per the transition plan.

- Lack of market engagement (including potential public sector providers) leads to an inadequate specification being developed and tendered against which fails to attract competitive responses, does not provide value for money for the Council or does not enable implementation of the new service by the end of the notice period with SCC.

  Following the steer from the Pension Fund Sub-committee to consider both public and private providers, the Taskforce engaged with a number of public providers (including Hampshire County Council who provide the Finance, HR and Payroll service to the Council under a partnership agreement). Reference sites were also engaged. In parallel and to consider the suitability of progressing a competitive tendering exercise for the new pension administration provider, a pre-competition engagement exercise has been undertaken. Following consideration of the options the Taskforce agreed to pursue the public-public provider option, with the existing partnerships being evaluated in detail. That evaluation led to the recommendation to the Sub-committee on 3 February 2021, to enter into a delegation agreement for the service to be provided by LPPA, which was approved.

- The Pension Fund's data held by SCC is not subject to sufficient data improvement work, impacting on the Pension Fund's ability to attract competitive tenders for the new service or failing to secure a value for money service through the procurement.

  A detailed data improvement plan was developed and agreed. The Pensions Taskforce have been reviewing the data improvement work carried out by SCC and

RBKC and procured a third party to undertake work on the backlog cases recently identified by SCC. This work was agreed under an officer decision report, in consultation with the Chair of the Sub-committee, and is due to commence shortly.

7. In recognising the key risks above, the Taskforce have developed a detailed Project Plan is structured around 9 key areas of activity, which are set out below and for which progress to date is then detailed in the following sections:

- **Workforce and Recruitment:** *including recruitment of a Retained Pensions Manager and other new positions (permanent and project-based), transfer of existing roles in shared team;*
- **Procurement:** *including the procurement of new service provider with parallel consideration of potential for public-public partnership, extension of existing system/software provider, procurement of specialist support for transition/data improvement work;*
- **Data Improvement Programme:** *including data improvement programme provided by SCC, backlog issue identified by SCC, undecided leavers review by carried out by the RBKC Retained Team, relationship with the Pensions Regulator;*
- **Legal/Contractual:** *including serving of 12 Months' Notice on SCC to terminate and reaching agreement on the fee proposal from SCC;*
- **Transfer of Retained Functions from RBKC:** *including agreeing a transfer/handover plan, carrying out pre- and post-transfer activities including data and casework transfers;*
- **SCC Exit Plan:** *agree Exit Plan, regular monitoring against plan with SCC;*
- **Governance Arrangements:** *reporting/assurance to SLT and Members;*
- **Communications:** *with stakeholders at key milestones including transfer of retained functions and implementation of new provider;*
- **Budget:** *current budget and additional costs from SCC, exit/transition period cost, new steady state service budget.*

Progress since November 2020 on project workstreams

<u>Workforce and Recruitment</u>

8. Recruitment to the Retained Team structure is well advanced with one remaining post currently being advertised. All other members of the team commenced either side of Christmas and are settling in well, picking up all of the retained functions previously managed by RBKC.

9. The structure for the new Retained Pensions Team, including temporary positions , will ensure there is sufficient resource to run the service on a day to day basis, to progress the data improvement work which is already in hand, to manage the exit from the SCC arrangement and to plan and implement the new service with LPPA.

10. As previously reported, agreement has been reached with RBKC to retain two specialist roles which were part of the shared retained team, with the Council securing the services of the two individuals and providing them on a recharge basis to RBKC following the transfer of functions on 31 December 2020. The specialist roles cover matters relating to Admitted Bodies (including admission agreements, bonds, cessations and TUPE transfers) and the Teachers' Pension Scheme. This means that key skills required in the new Retained Team have been secured and will not need to be recruited to. However, it is anticipated that this specialist knowledge will be shared

amongst the team to ensure robustness and ensure the team is able to maintain service in times of absence.

Procurement

Pensions administration service

11. At its meeting on 3 February 2021 the Sub-committee received a detailed report setting out the consideration of options for procuring the pensions administration service from both private sector and public-public providers. The Taskforce evaluation of these options found that the public-public provider route was most likely to meet the HFPF objectives and lead to the appointment of and an experienced LGPS provider where the HFPF would play an active role in the partnership governance and development of the service.

12. Following a detailed evaluation of three public-public providers, as presented to the Sub-committee on 3 February 2021, officers recommended entering into a delegation agreement for the service to be provided by LPPA (hosted by Lancashire County Council), with a clear and achievable timetable proposed to ensure the new service can go live on 1 February 2022.

13. Following an initial project start meeting with colleagues from LPPA following the Sub-committee's approval, a formal resolution was put to the full Council meeting at Lancashire County Council on 25 February 2021 to propose that Lancashire County Council agrees to the London Borough of Hammersmith and Fulham delegating its pension fund administration function to Lancashire County Council pursuant to section 101 of the Local Government Act 1972. This is subject to both parties entering into an appropriate legal agreement. Officers are working with LPPA to ensure that this agreement is put in place.

Pensions Administration Software Contract

14. LBHF have a direct contract with the Aquila Heywood who are the software providers of the pension administration system, Altair, which is used by SCC to administer the LBHF pension fund. The contract grants the LBHF a licence to use the Altair software (in this instance via SCC). The contract term was originally for 5 years, with the option to take up two one-year extensions. The RBKC Retained Team extended the contract for one year from March 2020.

15. The Pensions Manager has progressed, discussions with Aquila Heywood, and a further one-year extension, agreed by means of an officer decision report which maintains LBHF in contract until March 2022 and allows the Altair software to continue to be used for the remainder of the SCC pension administration delegation agreement term.

Caseload backlog project

16. To carry out key data improvement work during the transition period, officers sought and received quotations with a view to engage a provider to support the delivery of the Data Improvement Programme, specifically for the review and remediation of backlog cases previously identified by SCC.

17. A contract has been awarded by the Director of Resources, in consultation with the Chair of the Sub-committee, to ITM, for a maximum cost of £70,000. ITM will carry out the remediation of each case on a fixed fee basis and the number of cases will be confirmed when the actual number of backlog cases currently held is provided shortly by SCC.

18. Given the nature and complexity of this work, it is expected that the project will take an estimated 6 months to complete. This is in line with the overall project plan being discussed with LPPA.

19. A separate report is being presented to the Sub-committee on the same agenda regarding SCC's performance.

Undecided leavers

20. As reported in September, the shared RBKC Retained Pensions Team had undertaken an exercise to review data quality concerns in respect of undecided leavers. Fund members are identified as such when they leave the Council's or an admitted body's employment but do not confirm whether they wish to defer their pension or to transfer it to another scheme.

21. The Retained Pensions Team had collated data for around 800 cases, which has recently been uploaded by SCC into the pensions administration system. Following the upload, about 600 cases were successfully updated and further work is being done to address the remaining cases.

Backlog issues

22. As reported previously, a further matter came to light in August 2020 relating to a backlog in processing core casework by SCC in relation to leavers' records for the LBHF Fund. This was identified when SCC provided a costed proposal to deal with the backlog in casework.

23. The backlog relates to four processes mainly related to those leaving the Fund, namely: frozen refunds, refunds, deferred pensions and aggregations. Following a request for quotations, ITM have been appointed to carry out the work required on backlog cases, which was previously estimated in February 2020 to account for just under 1,700 leaver records (covering LBHF and its fund employers). The work will cover analysis and enquiries to collate data required and uploading new data to the member records at a cost of up to £70,000.

24. The Pensions Manager has negotiated a reduction in some of the fees to ensure that the work is completed within the estimated budget and is working with ITM to commence processing of the backlog. Separate updates on the progress of the project will be provided to the Sub-Committee and Pensions Board in future meetings.

<u>Legal/Contractual</u>

25. Following the Committee's approval of the recommendation to serve 12 months' notice of termination on SCC, the Taskforce assessed the key risks to ensuring a smooth transition to a new service provider to determine the optimum time to serve notice on SCC. Based on the assessment of risks and factors including the likely mobilisation period required for a new provider, the Taskforce agreed to serve notice on SCC in December 2020 so that the agreement with SCC would come to an end on 31 January 2022 with a new service provider being in place by 1 February 2022.

26. Discussions are ongoing with SCC in respect of the fee for the service from 1 September 2020 and also to consider any additional costs likely to arise from the exit process (as per the delegation agreement). The outcome of discussions on these matters will be reported back to the Committee in due course.

<u>Transfer of Retained Functions from RBKC</u>

27. Having agreed a detailed plan for the transfer of functions from RBKC to the new LBHF Retained Team this plan was successfully executed, including training of staff, transfer of data and live caseload. All functions and data were successfully transferred to LBHF by 31 December 2020. Communication was provided to all fund employers and stakeholders to ensure they were aware of the transfer to the LBHF Retained Team from January 2021.

<u>SCC Exit Plan</u>

28. Under the delegation agreement with SCC, a draft Exit Plan needs to be agreed within two months of notice of termination being served by the Council. The delegation agreement allows for SCC to charge reasonable costs relating to the exit process. An indication of potential exit costs was provided by SCC in July 2020, along with the framework (headings) for the exit plan which has been part of the ongoing discussions. The Director of Audit, Fraud, Risk and Insurance and Pensions Manager are working with SCC to develop and agree an exit plan, in consultation with colleagues from LPPA

to ensure that all key activities, responsibilities and timescales are documented and agreed.

29. The Pensions Taskforce will carry out regular monitoring against the exit plan when agreed and will ensure regular meetings are held with SCC to monitor and progress the implementation of the agreed plan. Update reports on progress against the plan will also be provided to Members.

<u>Governance Arrangements</u>

30. The Pensions Taskforce will provide the day to day oversight for the project, reporting on a regular basis to the Chief Executive (and Statutory Accountabilities Board) on progress. Update reports will be provided to Members of the Sub-Committee against the nine key areas in the project plan identified above. Update reports will also be provided to the Pensions Board.

<u>Communications</u>

31. A key part of the project will be ensuring appropriate communications with stakeholders at key milestones during the project. An initial communication was sent to current Members of the scheme and admitted bodies when the Pensions Manager commenced in early November.

32. Communications were prepared jointly with the RBKC Retained Pensions Team to go to all fund employers in early December, to ensure that there is a smooth transition to the new retained team and that all fund employers are clear about points of contact with the new service and the need to submit monthly returns to the LBHF Retained team for their December payroll runs.

33. The Pensions Manager is reviewing the Pension Fund website contact pages to ensure that active members, deferred members and pensioners are provided with appropriate information regarding the new service, including ways of contacting the Team and providing information relating to their pension records.

<u>Budget</u>

34. The costs of pensions administration are met by the Pension Fund. The Pensions Manager will work with the Treasury to manage the budget. Budget accountability will sit with this role and the Assistant Director, Transformation, Talent and Inclusion.

35. Discussions are ongoing with SCC in respect of the fee for the service from 1 September 2020 and any likely additional costs arising from the exit plan to be agreed with SCC.

36. Budgets will be agreed with Finance for the transition period up to the new contract being awarded and then the steady state service budget required from February 2022. Performance against the agreed budget will be subject to regular monitoring with Finance in the usual manner.

Implementation timetable

37. An indicative implementation timetable provided by Local Pensions Partnership Administration (LPPA) was set out in the report to the Sub-committee on 3 February

2021. This is set out for information in Appendix 1. Officers are working closely with LPPA to develop a detailed project plan, which also includes elements of the exit plan being discussed with SCC, to ensure a smooth transfer from SCC and implementation of the new service with LPPA on 1 February 2022.

Risk Management Implications

38. The report sets out the key risks being managed on the project and the main mitigations being progressed by officers are set out throughout the report.

Risk: Pension provider record keeping and administration provisions:

39. The Council is the accountable body responsible for ensuring that members of the Pension Fund receive the best possible service which is in compliance with regulations. It continues to act at pace following identification of the risks and issues involved. Performance of the Pensions Administrator was affected by a combination of administrative, data quality and contract risks discovered by the Council in late 2019. These risks are being managed by the Pensions Taskforce in accordance with the council's Programme Management Office approach.

Implications verified by Michael Sloniowski, Risk Manager, tel 020 8753 2587.

List of Appendices:

Appendix 1: Draft Project Plan provided by LPPA showing a detailed breakdown of key activities and milestones

Month	**Key Activities/Milestones**
Mar 2021	• Project Manager assigned to project & governance set up • Definition phase begins • System configuration stage begins • System configuration stage complete • Communications plan drafted for stakeholders (members & employers)
Apr 2021	• Definition phase complete • Data migration and UAT begins • Business process review begins
May 2021	• Data cut 1 signed off • Member web – CMS scoping begins
Jun 2021	• Data cut 2 begins • Employer web (EAS) scoping begins • Communication plan agreed including member web registration and employer web on-board
Jul 2021	• Business process sign off • Training plan for employers drafted and agreed
Aug 2021	• Data cut 2 signed off
Sep 2021	• Ongoing migration & UAT • H&F meet key members of the LPPA operations team
Oct 2021	• Member web sign off • Employer web sign off
Nov 2021	• Data extracts, parallel runs for payroll begin
Dec 2021	• UPM and web released into operations • Issue welcome letters to members
End Jan 2022	• Go-live

Agenda Item 7

London Borough of Hammersmith & Fulham

Report to: Pension Fund Sub-Committee

Date: 3 March 2021

Subject: **Pension Administration Performance Update**

Report of: Eleanor Dennis, Pensions Manager

Executive Summary

1.1 This paper sets out a summary of the performance of Surrey County Council (SCC) in providing a pension administration service to the Fund. The Key Performance Indicator (KPI) for the period November 2020 – January 2021 inclusive as shown in the Appendix 1.

Recommendations

1. The Pension Fund Sub-Committee is asked to consider and note the contents of this report.

Wards Affected: None

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

- None

Legal Implications

- None

Contact Officers:

Name: Dawn Aunger
Position: Assistant Director Transformation, Talent, and Inclusion
Telephone: 020 7641 4136
Email: dawn.aunger@lbhf.gov.uk

Name: Eleanor Dennis
Position: Pensions Manager
Telephone: 07551680552
Email: eleanor.dennis@lbhf.gov.uk

Background Papers Used in Preparing This Report

KPI Report

1.0 KPI Performance

1.1. The KPI's have been set out in the delegation agreement between SCC and the London Borough of Hammersmith & Fulham (LBHF). The Pensions Manager ensures performance measures are discussed and reviewed between both parties on a monthly basis. In accordance with Code 14 of the Pension Regulator's Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.

1.2. The Committee should note that during the Covid-19 pandemic The Pension Regulator asked Fund's to work with their administrators to ensure that there was a minimum focus on the delivery of pay impacting tasks i.e. retirements, refunds, deaths and understands as a consequence delivery on other tasks such as transfers will be impacted, which is demonstrated in the Funds KPI's on transfer tasks.

1.3. Unfortunately, the number of deaths has increased recently, with numbers a third higher than January 2020. However, you will note that SCC's ability to respond promptly to these cases has improved as they have recently introduced a new process that we are seeing reflected in the improved KPI's. Although it is still disappointing to see that 2 cases fell outside of the agreed 10 day SLA in January 2021, albeit by less than 5 working days.

1.4. The number of retirements in January 2021 more than doubled which alongside the increase in deaths seems to have an impact on SCC's ability to meet the KPI as 2 cases fell outside of the 10 day SLA.

1.5. The number of refunds processed in January 2021 was high and has increased significantly over the last 3 months, with 1 case falling outside the agreed 10 day SLA.

2. Telephone Helpdesk

2.1 The Pension Regulator in response to the Covid-19 pandemic has stressed the importance of pension administrators remaining accessible for members whether that be by email, telephone or post.

2.2 The are no defined KPI's for the SCC helpdesk in the delegation agreement other than the requirement for a telephone service that operates Monday to Friday 8.30am – 5pm. This service has been operating on a reduced basis of 10-12 and 2 - 4pm since March 2020 until further notice. However, there is a customer promise to respond to "quick win" emails within 3 days.

2.3 Over the last 3 months the volume of calls to the dedicated telephone helpdesk has fallen slightly from the high levels in November of 461 to 436 In January 2021.

3.0 Summary

The KPI's for the last quarter (November 2020 to January 2021) are below the level we require from our administrators but have improved in key areas such as deaths and we continue to work with them to understand the activity trends and challenge poor performance.

Both the SCC exit team and the BAU team continue to work collaboratively with us in the best interests of the Pension Fund, it's members and beneficiaries.

KPI Report - Hammersmith and Fulham Pension Fund - Jan

Description	Target time/date as per Partnership Agreement (working days)	Target	Actual Score Dec	Total No of completed cases	No of cases late	Actual Score Jan	Total No of completed cases	No of cases late	Commentary
Pension Administration									
Death Benefits **Write to dependant and provide relevant claim form**	5 days	**100%**	100%	17	0	86%	28	4	Increased number of death cases being received across all Funds.
Set up any dependants benefits and confirm payments due, including concluding any under or overpayments.	10 days	**100%**	38%	13	8	75%	12	3	
Retirement Notification request for retirement acknowledged, recorded and documentation sent to member	10 days	**100%**	89%	27	3	50%	26	13	11 of the cases that did not achieve SLA missed the target by under 5 days. Resource diverted to testing A2P and clearing A2P/PI errors.
Retirements **New retirement benefits processed for payment following receipt of claim forms**	7 days	**100%**	100%	4	0	73%	11	3	
Deferred retirement benefits processed for payment following receipt of claim forms	7 days	**100%**	72%	18	5	89%	18	2	
Refunds of Contributions Refund paid following receipt of claim form	10 days	**100%**	90%	10	1	98%	42	1	
Deferred Benefits Statements sent to member following receipt of leaver notification	20 days	**100%**	75%	4	1	88%	8	1	
Estimates **Early Retirement requests from employer**	10 days	**100%**	100%	1	0	94%	33	2	Slight dip but lots more cases processed
Projections **Requests from employees**	10 days	**100%**	67%	3	1	63%	8	3	
New Joiners New starters processed	30 days	**100%**	100%	57	0	100%	65	0	
Transfers In Quote estimate to scheme member (includes interfunds)	20 days	**100%**	17%	6	5	25%	8	6	
Transfers In Transfers-in payments processed	20 days	**100%**	75%	4	1	63%	8	3	
Transfers Out Transfers-out quotations processed (includes interfunds)	20 days	**100%**	80%	5	1	53%	32	15	Decreased but lots more cases processed
Transfers Out Transfers out payments processed	20 days	**100%**	100%	7	0	57%	7	3	
No of complaints received within the month	n/a	**100%**	100%	1	0	N/A	0	0	
No of complaints resolved within the month	30 days	**100%**	N/A	0	0	100%	1	0	
No of compliments received within the month	n/a	**N/A**	N/A	0	0	N/A	0	0	
Monthly Pensioner Payroll									
Full reconciliation of payroll and ledger report provided to Borough	Last day of month		Achieved			Achieved			
Issue of monthly payslips	3 days before pay day		Achieved			Achieved			
RTI file submitted to HMRC	3 days before pay day		Achieved			Achieved			
BACS File submitted for payment	3 days before pay day		Achieved			Achieved			
Annual Exercises									
Annual Benefit Statements Issued to Active members	31 August each year		Achieved			Achieved			
Annual Benefit Statements Issued to Deferred members	31 August each year		Achieved			Achieved			
P60s Issued to Pensioners	31 May each year		Achieved			Achieved			
Apply Pensions Increase to Pensioners	April each year		Achieved			Achieved			
Pensioners Newsletter	April each year		Achieved			Achieved			

Helpdesk Volumes
Total Queries Handled

London Borough of Hammersmith & Fulham

Report to: Pensions Sub-Committee

Date: 3 March 2021

Subject: Investment Consultancy Procurement

Report of: Matt Hopson, Strategic Investment Manager

Summary

The Pension Fund contract for investment consultancy, currently with Deloitte, will expire at the 31 March 2021. Officers have conducted a joint procurement exercise with Westminster City Council which has now concluded. This was conducted using the National LGPS framework, a well established framework giving the fund access to all the best available providers in the space.

Two providers responded to the invitation to tender, with the scoring and analysis of each provider set out in Appendix 1 to this report.

The providers have been invited to the Sub-Committee meeting of 3 March 2021 in order to receive any clarification questions that the Sub-Committee might have.

Recommendations

1. Appendix 1 should not be made available for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

2. The Sub-Committee approves the recommendation to award the contract to the provider set out in Appendix 1.

Wards Affected: None

LBHF Priorities

Our Priorities	**Summary of how this report aligns to the LBHF Priorities**
• Being ruthlessly financially efficient	Although there are no immediate financial implications arising from this report, investment performance will have an impact on the Council's future employer contributions to the Pension Fund and this is achieved via a direct charge to the General

	Fund.

Financial Impact

Although there are no immediate financial implications arising from this report, investment performance will have an impact on the Council's future employer contributions to the Pension Fund and this is achieved via a direct charge to the General Fund, therefore it is vital the Pension Fund receives appropriate investment advice.

The estimated fees payable and value of the contract is set out in Appendix 1 to this report.

Legal Implications

The Pensions Sub-Committee has the power to award this contract under its terms of reference.

The Procurement has been carried out using a registered framework, the national LGPS framework, carried out using the CapitalEsourcing system and the Westminster City Council legal and procurement teams.

Contact Officer(s):

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. Proposals and Analysis of Options

1.1. The Sub-Committee is presented with an analysis of the two providers in appendix 1.

2. Reasons for Decision

2.1. Officers' recommendation Is set out in appendix 1 to this report.

3. Equality Implications

3.1. None

4. Risk Management Implications

4.1. None

5. Other Implications

5.1. None

6. Consultation

6.1. None

List of Appendices:

Appendix 1: Investment Consultant Scoring and Recommendation (Exempt)

Agenda Item 10

London Borough of Hammersmith & Fulham

Report to: Pensions Sub Committee

Date: 3 March 2021

Subject: Investment Strategy– Social Housing and Ground Rents

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

This paper and associated Appendix provides the Pensions Sub-Committee with more detailed information on the two asset classes that the Sub-Committee agreed to take forward as potential replacements for the Fund's Inflation Protection allocation, namely:

- Ground Rents
- Supported Social Housing

The attached Appendix from Deloitte provides an analysis of the recent Fund Manager presentations, including a summary of each presentation, responses to questions asked and comments.

Recommendations

The Sub Committee is recommended to select:

1. Alpha Real Capital (ground rents)
2. Man Group (social housing)

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• Building shared prosperity	Being an outperforming investor means that as part of the Pension Fund's fiduciary duty, its investments should be able to assist in making a positive financial contribution, sharing prosperity and lessening the financial impact on council tax payers.

Financial Impact

The financial implications of these investments will be continually monitored to ensure that members' pensions are safeguarded.

Legal Implications

None

Contact Officer(s):

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Asset Class Review

1. Background

1.1. The Pensions Sub-Committee agreed to terminate the M&G Inflation Protection mandate. This was due to a number of factors but, most notably, the major factor was the over exposure to long lease property that had built up in the portfolio, overlapping with the Fund's exposure to long lease property via Aberdeen Standard Investments.

1.2. Since then, the Fund's investment consultant, Deloitte, has narrowed down a list of prospective inflation protection strategies that warrant further investigation as potential investment alternatives.

1.3. The Sub-Committee agreed at the meeting dated 29 September 2020 that a replacement portfolio should be constructed of diversified commercial ground rents and an allocation to supported social housing.

2. Investment Strategy

2.1. The two investment classes are described in more detail in the sections below.

Ground Rents

2.2 This is investing purely in the freeholds of larger developments such as mixed use commercial sites.

Benefits

- Ground rent investments generate long-term expected cashflows through the rental agreements that are in place with the property leaseholders. In some instances, these cashflows can be taken as income distribution and used for pension scheme cashflow management.

- The cashflows received can be inflation-linked and increase in amount over time. The inflation linkage is normally through RPI or CPI, with agreements in place to review the rent received with respect to inflation after agreed periods of time.

- The returns receivable generally have low correlation to other return seeking assets.

- If rental income receivable from the leaseholder halts, the owner of the ground lease is able to take ownership of the leasehold property, which normally has a higher value. This provides security against the risk of default from the other party.

Risks

- Counterparty Risk: a leaseholder may not honour its obligation to pay rent and default on the ground lease agreement. However, as highlighted, the owner of the ground lease has security in the form of the leaseholder's property, on which it can inherit full ownership.

- Valuation Risk: the value of a ground rent asset is the opinion of the valuers based on several assumptions. Ground rents are largely illiquid and traded infrequently, so valuations can be difficult to benchmark against.

- Illiquidity Risk: ground rent leases can be difficult to buy and sell without suffering a discount. In exceptional circumstances, a fund may limit or suspend trading due to extreme market conditions or high levels of redemptions/withdrawals to protect an investor's funds.

- Reputational Risk: the Fund may be linked reputationally to news reports of recent ground rent scandals involving residential houses. It should be noted that the managers being considered run commercial ground rent portfolios only.

Supported Social Housing

2.3 Investing in purpose built social housing specifically for individuals who may require special care or are unable to live and work independently.

Benefits

- The income received is ultimately funded by the UK central government, which clearly represents security. That said, this income is collected via housing associations which themselves carry credit risk. There is also a risk that the government may reduce housing benefits.

- Social Supported Housing has strong and direct ESG credentials, predominantly within a social capacity where providing care and housing to individuals in this situation can have a real and tangible benefit to both the individuals and the wider community.

- Due to a shortage of supply in this type of accommodation, there is strong demand in the market. In addition, the UK government has formally backed some leases for a period (i.e., ten out of 25 years) to ensure they have uptake.

- The demand for the accommodation is dependent on the number of people who are in need of it, rather than the wider macro-economic and market environment. As such, demand can be seen as relatively uncorrelated to the market.

Risks

- Illiquidity Risk: due to the bespoke nature of the social supported housing assets, it can be difficult to buy and sell without suffering a discount. A fund may also include additional liquidity restrictions to ensure that a fair return is achieved by holding assets for an appropriate duration, or to restrict trading under certain market conditions.

- Political Risk: the return assumptions of an investment are based on the current benefits offered by the government, which could be varied or amended, and adversely affect the return on investment.

- Administrative Risk: the administration of the social supported housing is implemented by not-for-profit housing associations. If administered poorly, there may be an increased likelihood that they are unable to meet payments or, in worst case scenarios, go bankrupt.

- Construction and Development Risk: due to the bespoke nature of the assets, they may need to be built or developed. If the construction and/or development of an asset is delayed or requires significant changes, the asset value might be materially affected.

- Property Market Risk: the underlying assets might be subject to changes in the wider property market. If property markets undergo a period of distress, the asset values may fall.

2.4 The attached Appendix describes the current providers in detail and will be discussed at the meeting.

3. Detailed Analysis

3.1. Two potential managers within the ground rent asset class and three potential managers within the social housing asset class were each given ten minutes to present and then took questions from the Sub-Committee and Deloitte. Presenting on ground rent was Alpha Real Capital (ARC) and Aberdeen Standard Investments (ASI). Presenting on social housing was Man Group, Triple Point and Henley.

3.2. A summary of each manager's presentation, responses to questions, and comments by Deloitte can be seen in Appendix 1.

3.3. On ground rents, the Sub-Committee's initial view was the ARC was better placed to undertake a ground rent mandate on behalf of the fund. Members were concerned by risks in the ASI proposal, including significant concentration risk reference exposure to hotels and airports.

3.4. Regarding social housing, the initial view was to allocate a portion of capital to Man Group and potentially hold back some capital to allocate to Henley at a later date.

3.5. Although Members were very impressed by all the offerings in the social housing asset class and the social impact benefits they bring, Man Group was deemed to have the most robust offering in terms of risk management and the overall portfolio strategy was more attractive.

4. Risk Management Implications

4.1. Risk are outlined in the report and associated Appendix.

5. Other Implications

5.1. None

6. Consultation

6.1. None

List of Appendices:

Appendix 1: EXEMPT LBHF Ground Rents and Supported Living Affordable Housing Manager Selection Notes

Agenda Item 11

London Borough of Hammersmith & Fulham

Report to: Pensions Sub-Committee
Date: 3 March 2021

Subject: Pension Fund Quarterly Update Pack

Report of: Matt Hopson, Pension Fund Manager

Executive Summary

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

a. Overall performance for the quarter ended 31 December 2020;
b. Cashflow update and forecast;
c. Assessment of risks and actions taken to mitigate these.

Recommendations

1. The Pensions Sub-Committee is recommended to note the update.

Wards Affected: None

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

- None

Legal Implications

- None

Contact Officer(s):

Name: Gibraan Karim
Position: Pensions Graduate Trainee
Telephone: 07941580166
Email: gkarim@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. LBHF Pension Fund Quarterly Update – Q3 2020/21

1.1. This report and attached appendices make up the pack for the quarter (Q3) ended 31 December 2020. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.

1.2. Appendix 2 contains the Pension Fund's report on the latest updates with regards to the integration of the environmental, social and governance (ESG) factors as part of the its investment strategy.

1.3. Appendix 3 provides information about the Pension Fund's investments and performance. Richard Slater from Deloitte will be attending the meeting to present this report. The highlights are shown below:

- In general, this has been a positive quarter for equity markets due to a number of positive activities that have taken place over this quarter, mainly being the release of the COVID-19 vaccine, giving some form assurance of things returning to normality. President Joe Biden's victory in the US Election has also impacted investment performance.

- Overall, the investment performance report shows that over the quarter to 31 December 2020, following the downturn in markets caused by the COVID-19 outbreak, the market value of the assets increased by £44.2m to £1,185.0m.

- The Fund performed in line with the benchmark net of fees by delivering a return of 4.5% over the quarter to 31 December 2020, and the estimated funding level was 96.6% as at 31 December 2020.

- However, over the year to 31 December 2020, the fund underperformed against its benchmark by -1.6%.

- The highlights over the quarter to 31 December 2020 was the performance of the LCIV Absolute Return Fund and Oak Hill Advisors, who both outperformed their 'cash plus' benchmark.

1.4. The Pension Fund's cashflow monitor is provided in Appendix 4. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 30 September 2021. An analysis of the differences between the actuals and the forecasts for the quarter is also included.

1.5. Appendix 5 contains the Pension Fund's Risk Registers.

2. Risk Management Implications

2.1 This is included in the risk registers.

3. Other Implications

3.1. n/a

4. Consultation

4.1. n/a

List of Appendices:

Appendix 1: Scorecard at 31 December 2020
Appendix 2: Pension Fund ESG Report
Appendix 3a: Deloitte Quarterly Report for Quarter Ended 31 Dec 2020
Appendix 3b: Deloitte Quarterly Report for Quarter Ended 31 Dec 2020 (EXEMPT)
Appendix 4: Cashflow Monitoring Report
Appendix 5: Pension Fund Risk Registers.

Appendix 1

Scorecard at 31 December 2020

London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report

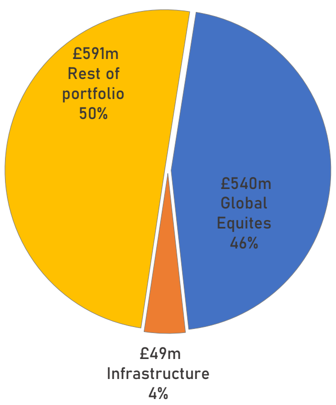
	Mar 20	Jun 20	Sep 20	Dec 20	Report reference
Value (£m)	1,006.4	1, 118.7	1,141.3	1, 185.5	Deloitte Report Gross of Fees
% return quarter	-8.8%	11.1%	2.0%	4.5%	
% return one year	-2.9%	4.8%	3.8%	8.1%	
LIABILITIES					
Value (£m)	1,100	1,144	1,196	1,225	
Surplus/(Deficit) (£m)	(25)	(37)	(45)	(48)	
Funding Level	98%	97%	96%	96%	
MEMBERSHIP					
Active members	4,332	4,151	4,252	4,442	
Deferred beneficiaries	6,840	6,992	5,953	5,914	
Pensioners	5,111	5,278	5,334	5,368	
Employers	50	47	57	57	
CASHFLOW					
Cash balance	£1.6m	£3.0m	£1.6m	£1.0m	Appendix 4
Variance from forecast	£0.0m	£0.6m	£0.5m	£1.0m	
RISK					
No. of new risks	0	1	0	0	Appendix 5: Risk Register
No. of ratings changed	0	12	0	0	
LGPS REGULATIONS					
New consultations	None	None	McCloud Supreme Court	None	

New sets of regulations	None	None	None	£95k exit cap scrapped	

Enviromental, Social & Governance (ESG) Report — 31 December 2020

The London Borough of Hammersmith & Fulham Pension Fund is committed to being a responsible investor. In line with this commitment, the Pension Fund recognises Enviromental, Social & Governance (ESG) factors to be integral to its investment strategy.

The Pension Fund has a target to achieve carbon neutrality by 2030.



46.3k
estimated number of cars kept of the road each year by investing in renewable energy[1]

Estimated Carbon Savings (tonnes p/a)

MSCI Low Carbon	Aviva Infrastructure
44.7k	10.1k

Key Highlights

57%
CO_2 emissions saved by investing in the MSCI Low Carbon Fund

114
number of engagements by LGIM on Social topics during the last quarter.

145
number of companies engaged over the last quarter by LAPFF

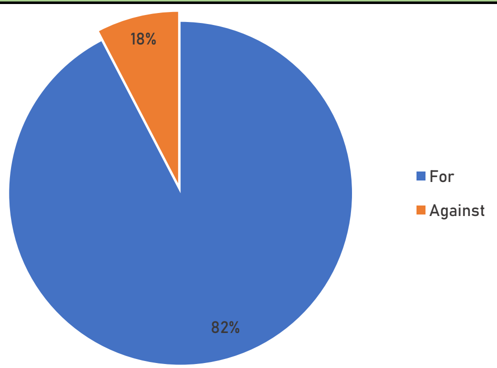
Investment in Low Carbon Assets

£592mil	53%

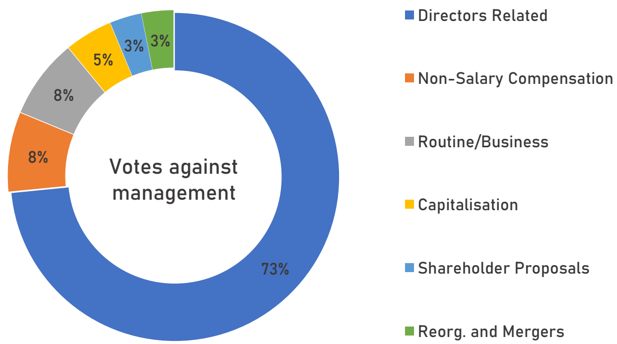
Low Carbon Investments	£000
Equities	537,594
Aviva Infrastructure	26,596
Partners Infrastructure	22,254
LCIV Green Bonds	3,345

Although the Pension Fund does not invest through the use of segregated mandates, fund managers are expected to develop a voting framework consistent with the Pension Fund's own voting policy. The fund managers' voting activity for this quarter is reported below. At present, the Pension Fund holds pooled equity investments with Legal & General Investment Management and the London CIV, through its Absolute Return Fund (Ruffer).

Voting Summary (LCIV Only)



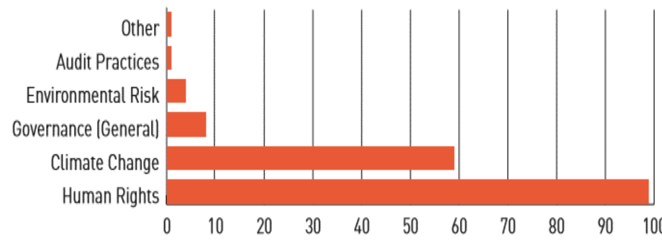
Voting Breakdown



Based on LCIV only-L&G not available

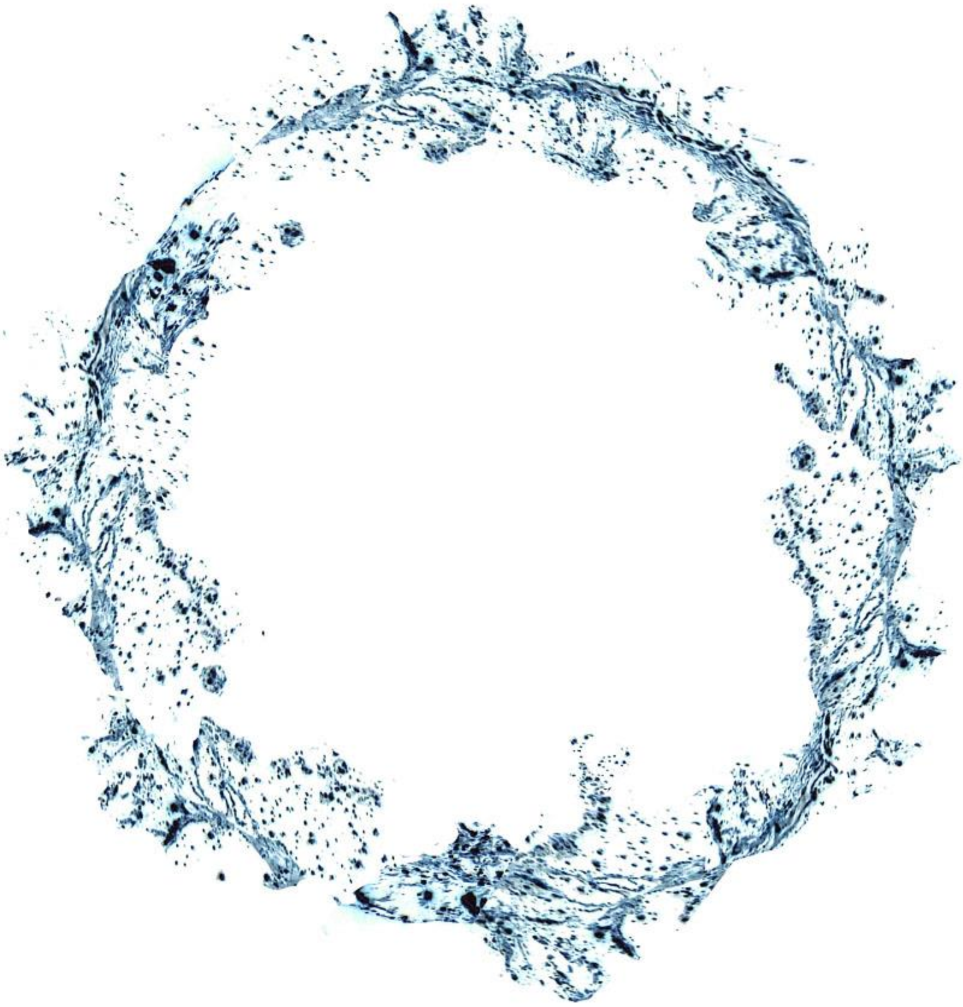
LAPFF Engagement

The Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF), the UK's leading collaborative shareholder engagement group. LAPPF regularly engages with companies to encourage best practice and ensuring that they have the right policies in place to create value.



[1]Source: Aviva Investors/ERM. Data as at 30 June 2018. Car equivalency calculation based on 2016 5 door hatchback; 10,000 p.a (Carbon Footprint)

Deloitte.



London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 31 December 2020

Deloitte Total Reward and Benefits Limited
February 2021

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1 Market Background

Global Equities

The fourth quarter of 2020 was a strong quarter for global equity markets thanks largely to greater clarity on a number of key macroeconomic issues including the COVID-19 vaccine breakthrough, which provided equity markets with a major boost, Joe Biden's victory in the US Election and the late agreement reached in Brexit talks.

In particular, the emergence of the first COVID-19 vaccines and their subsequent approval gave investors hope that the end of the pandemic was in sight and that the subsequent economic recovery might begin in earnest in 2021. In this regard, conviction in a swift and strong vaccine led economic rebound is high, and markets appeared to have largely shrugged-off a sharp rise in COVID-19 cases in both Europe and North America and the emergence of new more transmittable strains of COVID-19.

There were other factors supporting the rise in equity markets. A Biden victory in the US Presidential Election led to a rally in stock markets, as investors anticipated a more generous fiscal stimulus package and a more collaborative approach both globally and domestically. A $900bn US stimulus package was eventually signed into law late in December offering a range of measures including $325bn for small businesses and direct payments to individuals earning less than $75,000. Equity markets were further boosted by the news that a Brexit deal had been agreed on Christmas Eve that would facilitate a more orderly exit by the UK from the EU.

Over the fourth quarter as a whole, global equity markets delivered a return of 12.9% in local currency terms (or 8.5% in sterling terms). There continued to be a large dispersion in returns at a sector level as the large overall gains were led by Oil & Gas (26.5%) and Financials (20.3%) as investors anticipated a rebound in economic growth as newly approved vaccines are rolled out in 2021. These gains contrasted with Healthcare (-8.9%) and Technology (-4.1%), which experienced profit taking in the fourth quarter after performing strongly throughout 2020.

UK equities delivered a positive return of 12.6% over the quarter, outperforming overseas markets, due to the particular UK-centric boost from the last minute free-trade deal with the EU and its high concentration to outperforming sectors such as Oil & Gas and Financials. The more domestically focused FTSE 250 Index (18.8%) outperformed the FTSE 100 Index (10.9%) benefitting more strongly from the UK securing a future trade deal with the EU.

Government bonds

After rebounding in the third quarter from record lows, nominal gilt yields continued to rise over October and November before falling back in December 2020 following a resurgence in COVID-19 cases and the increased odds of negative UK base rates as the Bank of England considered its options in anticipation of a potential no deal scenario. Over the fourth quarter as a whole, nominal yields at mid-to-long maturities decreased marginally by up to 5 bps but were relatively unchanged at the short-end, remaining in negative territory as at 31 December 2020. The All Stocks Gilt Index subsequently delivered a modest positive return of 0.6% over the quarter.

Real yields on index-linked gilts also decreased, as falls for mid-to-long maturities were more pronounced (than for nominal gilts) decreasing by between 5-15 bps, while changes were minor at the short-end. As a result of the overall decrease in real yields, the All Stocks Index-Linked Gilts Index delivered a return of 1.2% over the fourth quarter of 2020.

Corporate bonds

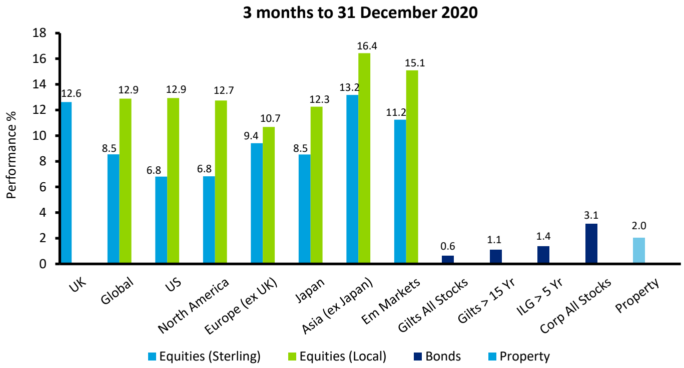
UK credit spreads narrowed further over the fourth quarter, with credit spreads falling by c. 30 bps, mirroring the investor confidence evident within equity markets. UK corporate bonds therefore outperformed equivalent gilts, and the iBoxx All Stocks Non-Gilt Index returned 3.1% over the three months to 31 December 2020.

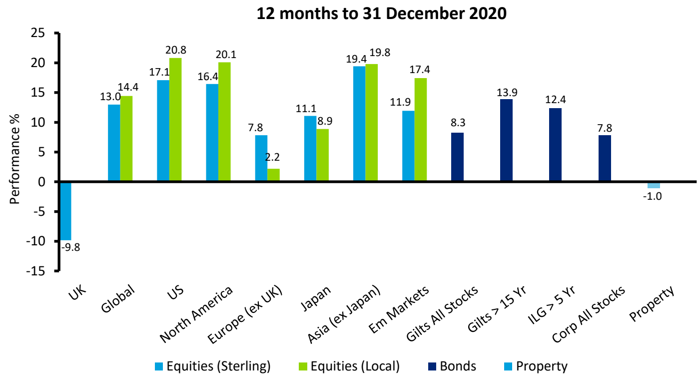
Whilst credit spreads have now fallen below their historic average levels, default risk remains elevated given the severity of COVID-19's economic impact to date, and the potential for further economic damage from the implementation of increased lockdown restrictions.

Property

The MSCI UK All Property Index delivered a return of 2.0% over the fourth quarter, and a negative return of -1.0% over the 12 months to 31 December 2020. However, these figures should be caveated given the relatively low level of transaction activity that there has been post COVID-19. Therefore, these performance figures reported in the initial quarters during the pandemic may not represent the full extent of the property market depreciation as a result of COVID-19, and further valuation falls seem possible in the months ahead.

Following looser restrictions in the summer/autumn, the sharp increase of COVID-19 cases going into winter 2020 led to restrictions being reimposed – with another lockdown anticipated in early 2021 - and this has created a further strain on already cash-strapped businesses particularly in the retail, travel and hospitality sectors. Rent collection is therefore anticipated to continue to be an ongoing issue between tenants and landlords into the new year. COVID-19 has also accelerated longer term structural trends such as the switch from high street shopping to online shopping, whilst future demand for central offices has become uncertain following the successful transition to remote-working and desire by many workers for a ‘blended’ approach in the future. As a result, future demand for central office space may be impacted over the medium-term as office leases come up for renewal.





2 Performance Overview

2.1 Investment Performance to 31 December 2020

Breakdown of Fund Performance by Manager as at 31 December 2020 Fund	Manager	3 month	1 year	3 year p.a.	5 year p.a.
Equity Mandate					
	LCIV Global Equity Core Fund	1.2	n/a	n/a	n/a
MSCI AC World Index		8.5	n/a	n/a	n/a
Difference		-7.3	n/a	n/a	n/a
	LGIM Low Carbon Mandate	8.0	13.4	n/a	n/a
MSCI World Low Carbon Target Index		8.0	13.5	n/a	n/a
Difference		0.0	-0.1	n/a	n/a
Dynamic Asset Allocation					
	LCIV Absolute Return Fund	4.5	9.9	3.8	5.2
3 Month Sterling LIBOR + 4% p.a.		1.0	4.3	4.6	4.5
Difference		3.5	5.6	-0.8	0.7
Global Bonds					
	LCIV Global Bond Fund	2.9	5.6	n/a	n/a
Barclays Credit Index (Hedged)		2.3	6.8	n/a	n/a
Difference		0.6	-1.2	n/a	n/a
Secure Income					
	Partners Group MAC[3]	2.1	-7.3	-0.8	2.2
3 Month Sterling LIBOR + 4% p.a.		1.0	4.3	4.6	4.5
Difference		1.1	-11.6	-5.4	-2.4
	Oak Hill Advisors	4.6	2.6	2.8	5.1
3 Month Sterling LIBOR + 4% p.a.		1.0	4.3	4.6	4.5
Difference		3.6	-1.7	-1.8	0.6
	ASI MSPC Fund	1.4	n/a	n/a	n/a
Blended benchmark[5]		2.1	n/a	n/a	n/a
Difference		-0.7	n/a	n/a	n/a
	Partners Group Infra[3]	6.7	23.2	12.7	8.2
	Aviva Infra Income[4]	1.5	2.8	n/a	n/a
Inflation *Protection*					
	ASI Long Lease Property Fund	1.3	4.0	5.6	6.8
FT British Government All Stocks		1.1	10.3	7.2	7.5
Difference		0.2	-6.2	-1.6	-0.7
Total Fund		4.5	8.1	5.8	8.3
Benchmark[1]		4.5	9.7	7.5	8.8
Difference		0.0	-1.6	-1.7	-0.5

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

Please note that there also exists a residual private equity allocation to Invesco and Unicapital – this allocation makes up c. 0.1% of the Fund's total invested assets.

[1] The Total Assets benchmark is calculated using the fixed weight target asset allocation.

[2] The Invesco private equity allocation consists of an investment in the Invesco Partnership Fund V and the Invesco US Venture PSHP Fund IV. The Invesco Partnership Fund V performance has been provided to 30 September 2020, and the Invesco US Venture PSHP Fund IV performance has been provided to 30 June 2020.

[3] Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 30 November 2020.

[4] Aviva Investors performance figures provided by Northern Trust take into account a c. 2% income distribution from the Infrastructure Income Fund towards the end of each quarter.

[5] ASI MSPC Fund is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index while the strategy is in the process of deploying invested capital. The weight of the benchmark allocated to the ICE ML Sterling BBB Corporate Bond Index reflects the proportion of the Fund's investment in the MSPC Fund which has been deployed by ASI. Once the Fund's investment has been fully deployed, the MSPC Fund will be measured against a benchmark consisting 100% of the ICE ML Sterling BBB Corporate Bond Index. Over the quarter to 31 December 2020, the MSPC Fund was measured against a blended benchmark of 53.2% 3 Month Sterling LIBOR and 46.8% ICE ML Sterling BBB Corporate Bond Index.

3 Total Fund

3.1 Investment Performance to 31 December 2020

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund - Net of fees	4.5	8.1	5.8	8.3
Benchmark[(1)]	4.5	9.7	7.5	8.8
Net performance relative to benchmark	0.0	-1.6	-1.7	-0.5

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

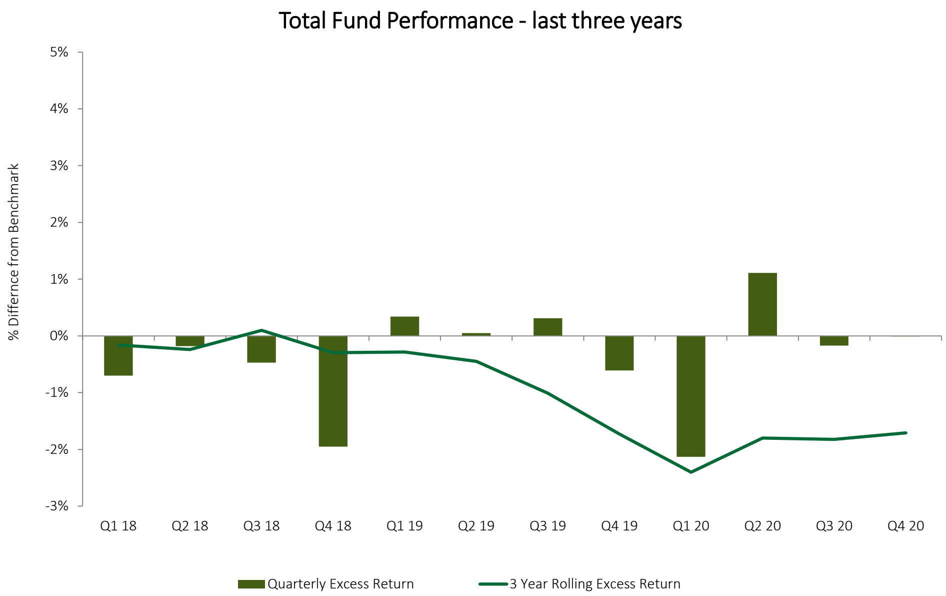
(1) Fixed weight benchmark

The Total Fund delivered a positive absolute return of 4.5% over the quarter to 31 December 2020 on a net of fees basis, performing broadly in line with the fixed weight benchmark.

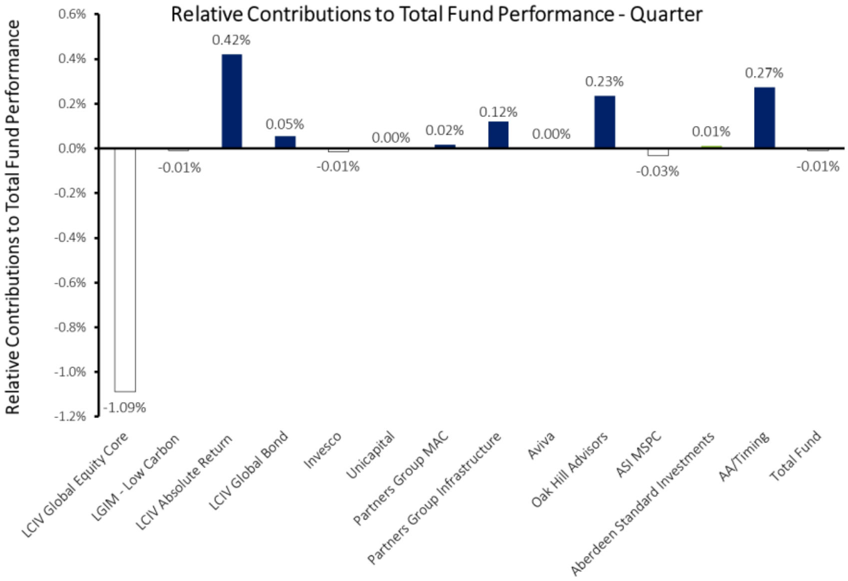
Over the year to 31 December 2020, the Total Fund delivered a positive absolute return of 8.1% on a net of fees basis, but underperformed the fixed weight benchmark by 1.6%. Over the longer three and five year periods to 31 December 2020, on a net of fees basis, the Total Fund delivered positive returns of 5.8% p.a. and 8.3% p.a. respectively, underperforming the fixed weight benchmark by 1.7% p.a. and 0.5% p.a. respectively.

Underperformance over the three year period to 31 December 2020 continues to be partially attributed to the Fund's allocation to the LCIV UK Equity Fund, which underperformed its FTSE-based benchmark by 5.2% p.a. on a net of fees basis over the three-year period until the point of disinvestment in December 2019.

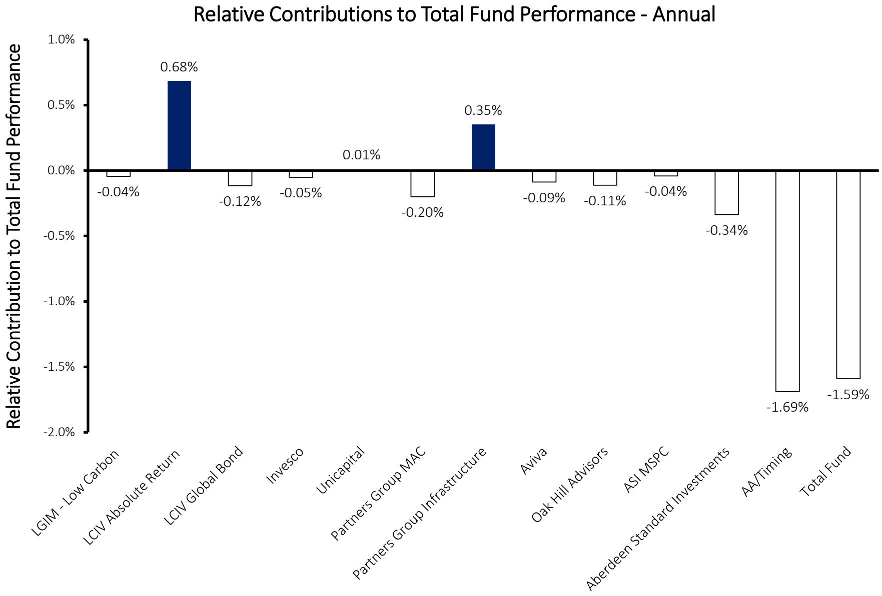
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 December 2020. The 3-year rolling excess return remained negative over the fourth quarter of 2020.



3.2 Attribution of Performance to 31 December 2020



Over the quarter to 31 December 2020, the Fund marginally underperformed its fixed weight benchmark. It should be noted that, on an absolute basis, each of the Fund's investments delivered positive absolute returns over the quarter on a net of fees basis with the Invesco private equity fund being the only exception, which has provided negative absolute returns since the start of the COVID-19 pandemic. Total Fund relative underperformance was primarily driven by the LCIV Global Equity Core Fund, which underperformed the broader equity market over the fourth quarter of 2020, despite delivering positive absolute returns, due to its under allocation to cyclical stocks compared with the MSCI benchmark. Underperformance was largely offset by the LCIV Absolute Return Fund and Oak Hill Advisors, with both strategies outperforming their cash-plus benchmarks over the quarter. Please note that we would expect relative performance differences over shorter time horizons where strategies are measured against cash-plus benchmarks.



The Fund underperformed its fixed weight benchmark by 1.6% over the year to 31 December 2020. The large negative contribution provided by the "AA/Timing" bar represents the impact of the Fund having an overweight allocation to the Partners Group MAC and M&G strategies during a period of negative performance, and includes the negative performance of the LCIV Global Equity Core Fund over the fourth quarter of 2020 relative to its benchmark. The Partners Group MAC strategy underperformed its cash-plus benchmark over the year, while the M&G strategy underperformed its RPI-based benchmark over the period from the beginning of 2020 to the point of disinvestment on 1 September 2020. As the Partners Group MAC strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons. The multi asset credit strategy continues to make distributions back to investors, but has been significantly impacted by the effects of COVID-19. Relative underperformance was partially offset by the LCIV Absolute Return Fund, with the manager's strategic allocations proving resilient across a variety of market environments, outperforming its benchmark over each separate quarter of 2020, and to a lesser extent by the Partners Group Infrastructure Fund which also outperformed its respective benchmark over the 12 month period.

3.3 Asset Allocation

The table below shows the value of assets held by each manager as at 31 December 2020 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation 30 Sep 2020 (£m)	31 Dec 2020 (£m)	30 Sep 2020 (%)	31 Dec 2020 (%)	Benchmark Allocation (%)
LCIV	Global Equity Core	170.3	172.4	14.9	14.5	15.0
LGIM	Low Carbon Equity (passive)	340.2	367.3	29.8	31.0	30.0
	Total Equity	**510.5**	**539.7**	**44.7**	**45.5**	**45.0**
LCIV	Absolute Return	137.6	261.8	12.1	22.1	10.0
LCIV	Global Bond	109.1	111.5	9.6	9.4	10.0
	Total Dynamic Asset Allocation	**246.7**	**373.4**	**21.6**	**31.5**	**20.0**
Invesco	Private Equity	1.0	0.2	0.1	0.0	0.0
Unicapital	Private Equity	0.6	0.6	0.1	0.1	0.0
	Total Private Equity	**1.6**	**0.8**	**0.1**	**0.1**	**0.0**
Partners Group[1]	Multi Asset Credit	17.5	14.7	1.5	1.2	0.0
Oak Hill Advisors	Diversified Credit Strategy	75.1	78.6	6.6	6.6	7.5
Partners Group[1]	Direct Infrastructure	28.8	30.3	2.5	2.6	5.0
Aviva	Infrastructure Income	26.7	26.6	2.3	2.2	2.5
Aberdeen Standard Investments	Multi Sector Private Credit	55.0	55.8	4.8	4.7	5.0
	Secure Income	**203.3**	**205.9**	**17.8**	**17.4**	**20.0**
M&G[2]	Inflation Opportunities	114.3	0.0	10.0	0.0	0.0
Aberdeen Standard Investments	Long Lease Property	59.5	60.3	5.2	5.1	5.0
TBC	Ground Rents	-	-	-	-	5.0
TBC	Affordable / Supported Housing	-	-	-	-	5.0
	Total Inflation Protection	**173.8**	**60.3**	**15.2**	**5.1**	**15.0**
Northern Trust	Trustee Bank Account	5.4	5.4	0.5	0.5	0.0
	Total	**1,141.3**	**1,185.5**	**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.
[1]Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 31 August 2020 and 30 November 2020).
[2]Following the disinvestment from the M&G Inflation Opportunities V Fund on 1 September 2020, the divested amount was held in a cash account with M&G as at 30 September 2020.

The Fund's equity allocation moved from an underweight position to overweight over the fourth quarter of 2020, owing to the positive absolute returns achieved across both of the Fund's equity strategies, and outperforming the Total Fund as a whole.

The Fund's secure income position remained underweight as at 31 December 2020, with the Partners Group Direct Infrastructure Fund not yet fully drawn for investment.

On 1 September 2020, the Fund fully disinvested from the M&G Inflation Opportunities V Fund, with the decision to disinvest primarily a result of the Fund's high exposure to the UK commercial property market. On 1 October 2020, the disinvestment proceeds were subsequently received from M&G, and on 16 October 2020, the proceeds were transferred into the LCIV Absolute Return Fund, managed by Ruffer, as a temporary allocation while the Sub-Committee considers alternative inflation protection options. As such, until these proceeds have been invested into the new inflation protection mandates, the Fund's dynamic asset allocation will remain temporarily overweight.

A Ground Rents and Affordable / Supported Housing manager selection exercise is due to take place in respect of the inflation protection allocation post quarter-end on 16 February 2021. A shortlist of investment managers have been invited to present to the Sub-Committee.

3.4 Yield Analysis as at 31 December 2020

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

Manager	Asset Class	Yield as at 31 Dec 2020
LCIV	Global Equity Core	1.45%
LGIM	Low Carbon Equity	2.03%
LCIV	Absolute Return	0.83%
LCIV	Global Bond	2.85%
Partners Group	Multi-Asset Credit	5.60%
Oak Hill Advisors	Diversified Credit Strategy	5.00%
Aviva Investors	Infrastructure	7.90%[1]
Aberdeen Standard Investments	Long Lease Property	4.24%
	Total	**2.09%**

[1]Represents yield to 30 September 2020.

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
Morgan Stanley Investment Management	LCIV Global Equity Core	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
LGIM	Low Carbon Equity	Major deviation from the benchmark return Significant loss of assets under management	1
Ruffer	LCIV Absolute Return	Departure of either of the co-portfolio managers from the business Any significant change in ownership structure	1
PIMCO	LCIV Global Bond	A significant increase or decrease to the assets under management Significant changes to the investment team responsible for the Fund	1
Partners Group	Multi Asset Credit	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 7 year lock-up period	1
	Direct Infrastructure	Significant changes to the investment team responsible for the Fund. *Note the mandate is subject to a 10 year lock-up period	1
Oak Hill Partners	Diversified Credit Strategy	Significant changes to the investment team responsible for the Fund Significant changes to the liquidity of underlying holdings within the Fund	1
Aviva Investors	Infrastructure Income	Significant changes to the investment team responsible for the Fund	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
	Multi Sector Private Credit	Significant changes to the investment team responsible for the Fund	1

4.1 London CIV

Business

The London CIV had assets under management of £10,750m within the 14 sub-funds (not including commitments to the London CIV Infrastructure Fund, London CIV Inflation Plus Fund and The London Fund) as at 31 December 2020, an increase of £1,174m over the quarter as a result of positive market movements over the period in addition to the impact of new London Borough investments in each of the LCIV Sustainable Equity Fund and the LCIV Global Equity Core Fund over the quarter.

The total assets under oversight, including passive investments held outside the London CIV platform, was £23.3bn as at 31 December 2020, an increase of c. £2.9bn over the quarter with cumulative commitments of £0.6bn to the LCIV Infrastructure Fund, LCIV Inflation Plus Fund and the newly launched The London Fund.

The London Fund was successfully launched on 15 December 2020, with an initial seed investment of £100m by the London Pension Fund Authority and a further £50m expected from the same source during Q1 2021. The London Fund is the first collaborative fund launch between LGPS Pool companies (London CIV and LPPI). The London CIV has identified interest of a further £153m from its London Borough clients, with a second close planned in Q2 2021. The London Fund will focus on investing in real estate, infrastructure and growth capital sectors, with a secondary objective of generating a social benefit in Greater London.

In relation to the LCIV Global Bond Fund which the Fund currently invests in, the London CIV has been engaging with investors (current and future) in regards to the prospect of transitioning the Global Bond Fund into an ESG-focused version which will be more consistent with its investors' and the London CIV's ESG strategy. This coincides with PIMCO, the underlying manager of the LCIV Global Bond Fund, launching the GIS Climate Bond Fund which is dedicated to investments linked to combating global climate change.

COVID-19 Impact:

The London CIV's employees continue to work remotely, and are expected to remain so for the foreseeable future. The London CIV has continued to host monthly LCIV Business Updates to keep investors informed and up to date with regards to progress with mandate developments and fund launches. All 'Meet the Manager' sessions continue to go ahead as planned.

Personnel

Over the fourth quarter of 2020, the London CIV hired Vanessa Shia as Head of Private Markets. Vanessa will lead on the London CIV's infrastructure capabilities and will assist with the LCIV Inflation Plus Fund. Vanessa joined on 9 November 2020 and holds a wealth of experience in leading the integration of responsible investment and ESG principles throughout previous roles. Vanessa is expecting to commence maternity leave from February 2021, the London CIV is working with Vanessa to develop a cover plan for the period that she will be unavailable.

The London CIV also hired Gustave Loriot-Boserup as Responsible Investment Manager and Andrea Wildsmith as Head of Risk and Performance over the quarter. Gustave joined in December 2020 from Trucost, where he was responsible for environmental analytics across a range of asset classes. Gustave will work with Jacqueline Jackson in building out the London CIV's climate foot-printing and stewardship capabilities. Andrea will lead on the newly acquired eVestment database, which will be used to help the investment team select and manage public investment.

The London CIV is seeking to employ an equities investment manager, with advertising set to commence in due course.

Deloitte view – It is positive to see a permanent Chief Investment Officer and we hope for continued stability going forward. We are continuing to monitor developments on the business side as well as the new fund launches.

4.2 Morgan Stanley Investment Management

Business

As at 31 December 2020, the LCIV Global Equity Core Fund held assets under management of £504m, a substantial increase of £334m over the quarter primarily as a result of one new London Borough investor being added to the sub-fund.

The Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of $3.1bn as at 31 December 2020. This represents an increase of c. $1.1bn over the quarter since 30 September 2020 following new investments into the strategy.

COVID-19 Impact:

MSIM's international equity team switched to remote working at the beginning of the COVID-19 pandemic and has seen no interruption to business.

Personnel

Over the quarter, Dirk Hoffmann-Becking announced his plan to retire from MSIM and asset management, effective 31 March 2021. Going forward, Dirk will be sharing his time between pursuing his academic interests and consulting to banks. Dirk has been a portfolio manager across the MSIM International Equity team's strategies since 2013. His primary research coverage includes Financials and Consumer Discretionary, and as such the MSIM International Equity team has adjusted its sector coverage. Over the coming months Dirk will work to complete the transition of his research responsibilities, primarily to Richard Perrott who will cover Financials and Nathan Wong who will expand his coverage of Consumer Discretionary stocks. Over the next months, MSIM will also transition primary coverage of European Pharmaceuticals from Marcus Watson to Helena Miles, and add Fei Teng to coverage of other select Health Care, predominantly ex-US. Marcus will retain his existing US Health Care and IT coverage.

Over previous years, MSIM has focused on building an experienced and well-resourced team and believes the transition resulting from Dirk's retirement will be as seamless as possible for MSIM's clients.

Deloitte View - We continue to rate Morgan Stanley Investment Management positively for its active equity capabilities.

4.3 LGIM

Business

As at 30 June 2020, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,241m, an increase of c. £45m since 31 December 2019. (LGIM provides AuM updates biannually and the next 31 December 2020 AuM update will be released in late February/early March 2021.)

COVID-19 Impact and Reporting Issues:

Whilst only announced biannually, we expect LGIM's assets under management to have suffered a material fall from the COVID-19 market crash in early 2020.

More widely, LGIM had to adjust its business operations in light of the COVID-19 lockdown restrictions. LGIM reported that it enacted its business contingency planning, and that it had evolved to enable greater agile working for employees to ensure business continuity.

Despite enacting these contingency plans, we experienced a notably high number of reporting delays/concerns on a range of clients with LGIM during summer 2020 which LGIM cited were due to the impact of remote working and a spike in annual leave over the summer at a time of increased reporting requests in the aftermath of COVID-19. We have followed up with LGIM to gain assurance that the Fund receives timely information going forward and – if not fully back to the pre COVID-19 timelines - this has improved over the recent quarterly reporting cycle.

Personnel

At the time of writing this report, LGIM has not been able to provide information regarding any significant team or personnel changes to the Index team over the quarter.

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

4.4 Ruffer

Business

Ruffer held £21.0bn in assets under management as at 31 December 2020, an increase of c. £0.8bn over the quarter.

COVID-19 Impact:

In line with government guidance, Ruffer closed its London, Edinburgh and Paris offices in March 2020 in light of the COVID-19 pandemic, with all employees and partners successfully transitioning to remote working. All staff have been provided remote access to key systems such that portfolio management and dealing activities are not impacted. Prior to the move to remote working, Ruffer had successfully implemented a split workforce to test its systems which proved successful.

Personnel

There were no significant team or personnel changes to the Absolute Return Fund over the quarter.

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

4.5 PIMCO

Business

As at 31 December 2020, PIMCO held £1.6tn in assets under management, an increase of c. £0.1tn over the quarter. The LCIV Global Bond Fund had assets under management of c. £354m as at 31 December 2020, representing an increase of c. £9m over the quarter primarily as a result of positive market movements.

Following quarter end, in January 2021, PIMCO announced that it was joining forces with Man Group, IHS Markit, State Street, Microsoft and McKinsey to form a new technology-led company, HUB, to build a cloud-based operating platform aimed at transforming asset managers' operations technology. PIMCO expects HUB, a greenfield platform, to transform the asset management industry's operating model by providing flexible and modular solutions across middle and back office functions, while reducing costs and mitigating risks. PIMCO believes that the platform will accelerate the move to a digital operating model, enabling managers to deliver innovative solutions to their clients in the short and long-term.

COVID-19 Impact:

There have been no notable changes to PIMCO's control environment, including trade flow and middle/back office processes which are maintaining the appropriate segregation of duty requirements and independent reconciliations.

PIMCO has also stated that there has been no changes to valuation methodology and has been in close contact with pricing vendors. Reporting of PIMCO's assets also remains within respective timelines and has not faced any dealing issues or delays due to COVID-19.

At a fund level, over the fourth quarter of 2020 the Global Bond Fund has witnessed no defaults in the portfolio as a result of COVID-19. 34 issues were downgraded over the quarter, representing c. 4.2% of the portfolio – of which 6 issues (c. 0.3% of the total portfolio) were downgraded to sub-investment grade, with PIMCO deciding to continue to hold all of these issues.

Personnel

There were no significant personnel changes to the Global Bond Fund over the fourth quarter.

More widely at a Firm level, in September 2020, PIMCO announced that Mark Carney, economist and former Governor of the Bank of England would be joining PIMCO's Global Advisory Board. PIMCO considers Mark's extensive experience, combined with his focus on transforming climate finance will make him a valuable addition to the Board.

Deloitte View – We continue to rate PIMCO highly for its global bond capabilities.

4.6 Partners Group

Business

Partners Group had total assets under management of c. $109bn as at 31 December 2020, representing an increase of c. $12.7bn since 30 June 2020.

COVID-19 Impact:

Following COVID-19 restrictions weighing on investments in the portfolio, the distributions of the MAC 2014 Fund have been extended by a year from July 2020 to July 2021 to support the cashflow of the underlying companies invested in over the short to medium term, which will in turn support the long-term performance of the Fund. While Partners Group previously intended to distribute as much capital as possible back to investors prior to this date, Partners Group has confirmed the possibility of further extending the program if deemed in the best interest of investors, as covered below.

More widely, Partners Group organised its Crisis Response Team and immediately put its business continuity plan into effect for a pandemic scenario in early 2020 that subsequently was borne out. The team was expanding to include both Partners Group CEO and CRO, to ensure that key business functions were represented and accounted for and holds daily calls for regular updates.

Partners Group has placed health and safety as its number one priority and has actioned temporary closure of the majority of offices, with those still open offering restricted numbers of workers with strict social distancing and hygiene protocols and has discouraged the use of public transport. Additionally, Partners Group has extended its remote working capabilities to ensure there is no interruption to business and restricted travel globally. Overall, Partners Group has stated that there have been no major interruptions to either critical or non-critical business functions to date.

Multi Asset Credit

The Partners Group MAC Fund had a net asset value of c. £76.7m at 31 December 2020, a decrease of £0.7m since the previous quarter end valuation at 30 September 2020 despite positive portfolio returns over the quarter, as a result of two distributions issued back to investors over the three month period.

The investment period for the 2014 MAC vintage finished at the end of July 2017, and the Fund continues to make distributions back to investors, with the Partners Group MAC Fund making two further distributions over the quarter, which totaled £4.0m and £0.3m respectively across all investors. The London Borough of Hammersmith & Fulham Pension Fund received a combined total of c. £0.8m from these distributions.

Following quarter end, on 28 January 2021, Partners Group issued a further distribution of £6m from the MAC Fund, shared between all investors. The London Borough of Hammersmith and Fulham Pension Fund received a total of c. £1.2m from this distribution.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]

[redacted]

Direct Infrastructure

As at 31 December 2020, the Direct Infrastructure Fund had drawn down c. 54% of its total €1,081m commitment value for investment, with c. 81% of the total Direct Infrastructure Fund’s portfolio committed to investment opportunities as at 30 November 2020.

Personnel

There were no significant team or personnel changes to the Multi Asset Credit or Direct Infrastructure Fund teams over the quarter.

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

4.7 Aberdeen Standard Investments – Multi-Sector Private Credit ("MSPC")

Business

The Aberdeen Standard Investments Multi-Sector Private Credit Fund commitment value remained unchanged over the quarter, standing at c. £138m as at 31 December 2020.

The MSPC Fund has a robust indicative pipeline of private credit assets and has closed on two commercial real estate debt assets and three private placement assets over the fourth quarter of 2020, with another commercial real estate debt investment in documentation as at 20 January 2021.

COVID-19 Impact:

The MSPC Fund was launched in April 2020, following the initial onset of the COVID-19 pandemic. As such, the portfolio is able to be built up in a cautious and more 'COVID-aware' manner. All investments made to date are performing as expected, and ASI states that it does not have any loans in the MSPC Fund which are on its 'watchlist' or that have experienced credit downgrades.

After the initial uncertainty during the first 'lockdown' in Q2, ASI stated that deal flow picked up and continued throughout the third and fourth quarters of 2020. ASI recognises that the impact of the latest lockdown measures on deal-flow activity remains to be seen, but expects a higher level of deal flow across 2021 with opportunities already presenting themselves across numerous sectors over the first quarter of 2021.

Personnel

There were no significant team or personnel changes to the Multi-Sector Private Credit Fund over the quarter.

Deloitte View – We continue to rate Aberdeen Standard Investments for its private credit capabilities.

4.8 Oak Hill Advisors – Diversified Credit Strategies ("DCS")

Business

Oak Hill Advisors held assets under management of c. $48bn as at 1 November 2020, an increase of c. $4bn since 1 July 2020.

As at 31 December 2020, the Diversified Credit Strategies Fund's net asset value stood at c. $4.9bn, an increase in value of c. £0.7bn with c. $410m of this increase attributable to net inflows.

COVID-19 Impact:

As previously reported, during March 2020, Oak Hill Advisors enacted a formal initiative which included restrictions to all non-essential business travel, all travelers to carry a laptop and remote connectivity to enable remote working if needed. Oak Hill Advisors employees have been working remotely since 16 March, following a test of Oak Hill Advisors' system capacity. This accompanied Oak Hill Advisors' upgrade of its IT systems and infrastructure in early 2019.

Oak Hill Advisors has provided cross training between a couple of its offices to ensure that key operational functions have the necessary cover, for example to ensure trade/settlement and treasury functions have several people who can perform each task. Oak Hill Advisors performs weekly portfolio reviews to ensure each team is familiar with the mandate and positioning alongside each industry being covered by both senior and junior investment professionals should senior research professionals not be able to perform these tasks.

At a fund level, the DCS Fund has seen a wave a downgrades by rating agencies following the economic slowdown caused by COVID-19. Although, Oak Hill Advisors states that this has not materially changed the composition of the portfolio and the strategy has maintained the same average credit quality since the beginning of 2020.

Personnel

At managing director level and above, OHA advisors saw three new joiners and one leaver over the quarter.

David Light, Trevor Winstead and Christopher Mosher all joined OHA as Managing Directors within the Private Credit, Distressed Assets and Client Coverage teams respectively. Meanwhile Steven Wayne, a Portfolio Manager and Managing Director within Private Credit, left the firm over the quarter.

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

4.9 Aviva Investors

Business

The Aviva Investors Infrastructure Income Fund had a total subscription value of c. £1,268m as at 31 December 2020, reflecting an increase of c. £15m over the fourth quarter of 2020 as one new investor commitment was received. As at 31 December 2020, the undrawn amount for the AIIIF was c. £15m.

[redacted]

[redacted]

COVID-19 Impact:

Following the COVID-19 outbreak, the Aviva Investors Infrastructure Income Fund and its underlying assets have been valued in line with Aviva's usual valuation policy and methodology, with valuations over 2020 reflecting the potential impact on assets from COVID-19 related factors. Aviva has confirmed that it has not applied material uncertainty or suspended or delayed pricing or issuing units in the Fund.

At the onset of the pandemic, Aviva implemented a heightened asset monitoring process with weekly meetings with external asset management and service providers to identify and rectify any issues as quickly as possible.

Personnel

There were no significant team or personnel changes over the fourth quarter of 2020. However, following quarter end, in January 2021, Aviva announced that four members of the Infrastructure Equity team were to leave the firm. Allan Vlah (Director), Fergus Helliwell (Director), Anne-Sophie Eveno (Associate Director) and Dan Wilcockson (Graduate) resigned on 26 January 2021, to take up positions at River & Mercantile, to work alongside Ian Berry, Aviva Investors' former Head of Infrastructure Equity.

Aviva has confirmed that each of the aforementioned retiring members have been placed on gardening leave with immediate effect, rather than working through their notice period. Aviva plans to begin the search for their replacements immediately.

With regards to asset origination, Aviva has confirmed that appropriate senior level and sector coverage experience remains in place, ensuring these departures will have limited impact on the ongoing management of the fund, which will continue to be led by Sean McLachlan, and supported by Jolanta Touzard and Isaac Vaz in their capacity as Directors. Aviva states that the existing assets within the AIIIF, and the mandates managed by the Fund, will not be impacted; and that the individuals leaving did not have asset management responsibilities, which continues to be led by Ian Shervell.

In response to these team changes, Aviva has sought to assure investors that infrastructure continues to be a key strategic priority for its Real Assets platform.

Deloitte View – We are closely monitoring the impacts to the AIIIF following the proposal to soft-close the Fund and in light of the significant team changes at the beginning of 2021 noted above.

4.10 Aberdeen Standard Investments – Long Lease Property

Business

As at 31 December 2020, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £2.7bn, increasing by c. £26m over the quarter.

COVID-19 Impact:

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

ASI continues to work with its tenants to discuss deferment arrangements where necessary. As at 15 January 2021, the Long Lease Property Fund had collected 95.8% of its Q4 2020 rent.

Personnel

The departure of Richard Marshall, former Portfolio Manager of the ASI Long Lease Property Fund took place during the fourth quarter in October 2020. Les Ross, who previously held the role of Deputy Portfolio Manager formally became the new Portfolio Manager from 1 August 2020. Whilst we view Les Ross as an experienced replacement, we acknowledge that Richard had held the position of Portfolio Manager of the ASI Long Lease Property Fund since 2006 and his contribution has been viewed as one of the key factors to the Fund's lasting success.

This change place as part of their wider restructure of the global real estate management team to align with the future direction of the business, and also followed the replacement of Keith Skeoch as CEO designate by Stephen Bird earlier in 2020.

Deloitte View – We are closely monitoring the changes to senior leadership at ASI. With regards to real estate and the Long Lease Property Fund specifically, whilst the departure of Richard Marshall was somewhat more of a surprise, Les Ross is the obvious replacement and is very experienced and well positioned to take over. That said, Richard's contribution to the fund was significant and we continue to closely monitor both the fund and wider business.

5 London CIV

5.1 Investment Performance to 31 December 2020

At the end of the fourth quarter of 2020, the assets under management within the 14 sub-funds of the London CIV was £10,750m with a further £606m committed to the Infrastructure and Inflation Plus Funds, and The London Fund. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £2.9bn to c. £23.3bn over the quarter. 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 Sep 2020 (£m)	Total AuM as at 31 Dec 2020 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	3,322	3,612	13	11/04/16
LCIV Global Equity	Global Equity	Newton	665	696	3	22/05/17
LCIV Global Equity Focus	Global Equity	Longview Partners	785	861	5	17/07/17
LCIV Equity Income	Global Equity	Epoch Investment Partners	221	133	2	08/11/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	425	498	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	499	625	4	18/04/18
LCIV Global Equity Core Fund	Global Equity	Morgan Stanley Investment Management	170	504	2	21/08/20
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	344	385	2	11/03/20
LCIV Global Total Return	Diversified Growth Fund	Pyrford	266	274	4	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	614	670	7	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	756	910	8	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	126	123	2	16/12/16
LCIV MAC	Fixed Income	CQS	1,037	1,105	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	345	354	3	30/11/18
Total			**9,576**	**10,750**		

Over the quarter, one new London Borough invested in the LCIV Sustainable Equity Fund and another invested in the LCIV Global Equity Core Fund.

6 LCIV – Global Equity Core

Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 30 September 2020. The aim of the fund is to outperform the MSCI AC World Index.

6.1 Global Equity Core – Investment Performance to 31 December 2020

	Last Quarter (%)
Net of fees	1.2
Benchmark (MSCI World Net Index)	8.5
Global Franchise Fund (net of fees)	0.0
Net Performance relative to Benchmark	-7.3

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

Over the fourth quarter of 2020, the LCIV Global Equity Core Fund has delivered a positive return of 1.2% on a net of fees basis, but has underperformed the MSCI World Net Index by 7.3% over the period.

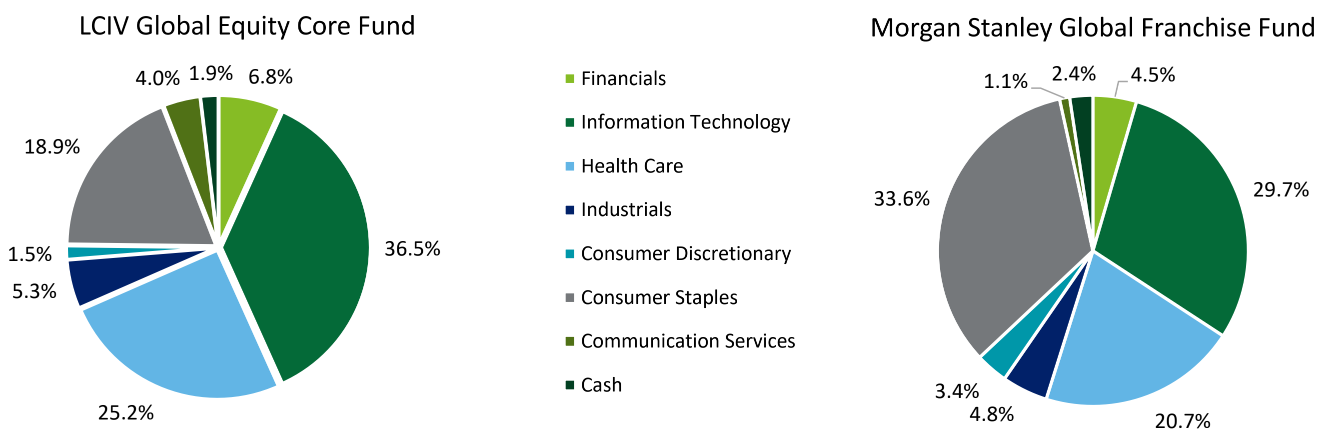
The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows. While such a portfolio is expected to prove beneficial during volatile periods, the underperformance relative to the broader equity market over the quarter can primarily be attributed to the strategy's under allocation to cyclical stocks, with investor risk appetite largely increasing over the quarter.

Stock selection also proved to be a detraction to recent relative performance, with two of the strategy's largest allocations, Reckitt Benckiser and SAP, providing negative returns over the quarter. Reckitt Benckiser faced specific pricing challenges over the three month period to 31 December 2020, while SAP underperformed as a result of governance and business model changes. It is expected that SAP's transformation should lead to an improvement in the company's future earnings.

The LCIV Global Equity Core Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to the emphasis on sustainability. As such, there exists a number of marginal differences in the characteristics of the two funds. The LCIV Global Equity Core Fund has outperformed the Global Franchise Fund over the three month period to 31 December 2020, with outperformance attributed to a higher allocation to financials and technology, and a lower allocation to beverage companies which continued to be hit by social distancing measures.

6.2 Portfolio Sector Breakdown at 31 December 2020

The charts below compare the relative weightings of the sectors in the LCIV Global Equity Core Fund and the Morgan Stanley Global Franchise Fund as at 31 December 2020.



Source: London CIV and Morgan Stanley

The Global Equity Core strategy has a higher allocation to information technology, healthcare and financials, and a lower allocation to consumer staples due to its sustainable investment tilt.

As at 31 December 2020, the Global Franchise Fund portfolio is made up c. 10% of tobacco stocks. The Global Equity Core Fund is restricted from investing in tobacco, and hence holds a substantially smaller allocation to consumer staples.

6.3 Performance Analysis

The table below summarises the Global Equity Core Fund portfolio's key characteristics as at 31 December 2020, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	41	31
No. of Countries	7	6
No. of Sectors*	6	7
No. of Industries*	19	14

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 48.8% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	6.7
Reckitt Benckiser	6.1
Visa	5.6
SAP	5.1
Henkel Vorzug	4.9
Accenture	4.6
Procter & Gamble	4.2
Baxter International	3.9
Becton Dickinson	3.9
Medtronic	3.8
Total	**48.8***

Global Franchise Fund Holding	% of NAV
Microsoft	8.6
Reckitt Benckiser	8.0
Philip Morris	7.9
Visa	5.5
Accenture	4.8
Procter & Gamble	4.6
SAP	4.4
Baxter International	4.1
Danaher	4.0
Automatic Data Processing	3.9
Total	**55.8***

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Seven stocks are consistently accounted for in the top ten holdings of both strategies.

7 Legal and General – World Low Carbon Equity

Legal and General Investment Management ("LGIM") was appointed on 18 December 2018 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.

7.1 World Low Carbon Equity – Investment Performance to 31 December 2020

	Last Quarter (%)	One Year (%)
Net of fees	8.0	13.4
Benchmark (MSCI World Low Carbon Target)	8.0	13.5
MSCI World Equity Index	7.9	12.9
Net Performance relative to Benchmark	0.0	-0.1

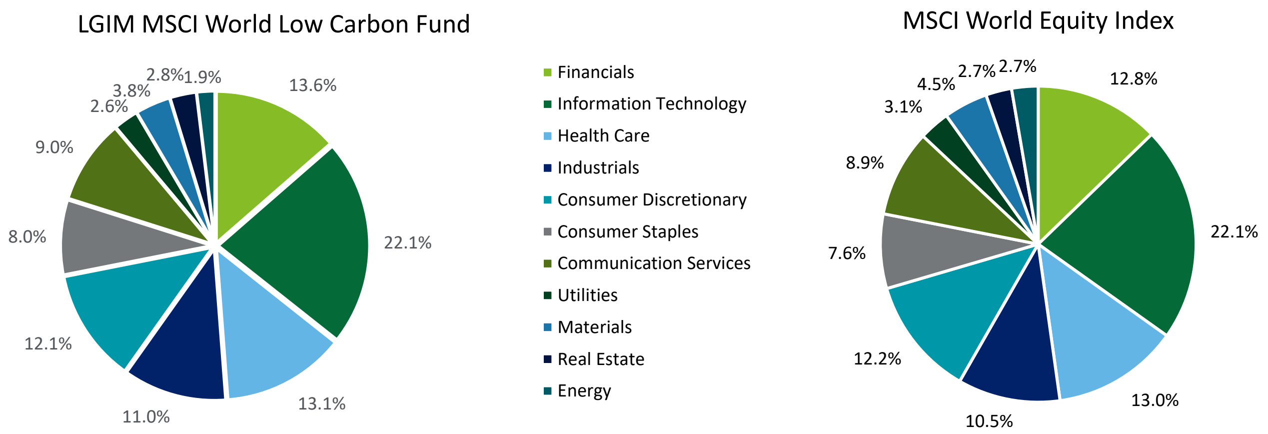
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

Over the quarter to 31 December 2020, the LGIM MSCI World Low Carbon Index Fund has successfully tracked its benchmark, delivering positive absolute returns of 8.0% on a net of fees basis. The strategy outperformed the MSCI World Equity Index benchmark by 0.1% over the quarter.

Over the one-year period to 31 December 2020, the LGIM MSCI World Low Carbon Index Fund delivered a positive absolute return of 13.4% on a net of fees basis, marginally underperforming its benchmark by 0.1%. However, over the year, the sustainable-focused fund outperformed the MSCI World Equity Index by 0.5%, owing largely to the strategy's higher allocation to financials and industrials over Q1 2020, and lower allocation to energy, transport and materials, which was favourable positioning over the first quarter of 2020 when markets were particularly volatile following the outbreak of COVID-19.

7.2 Portfolio Sector Breakdown at 31 December 2020

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 as at 31 December 2020.



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 utilities, materials and energy represents the low carbon nature of the Fund.

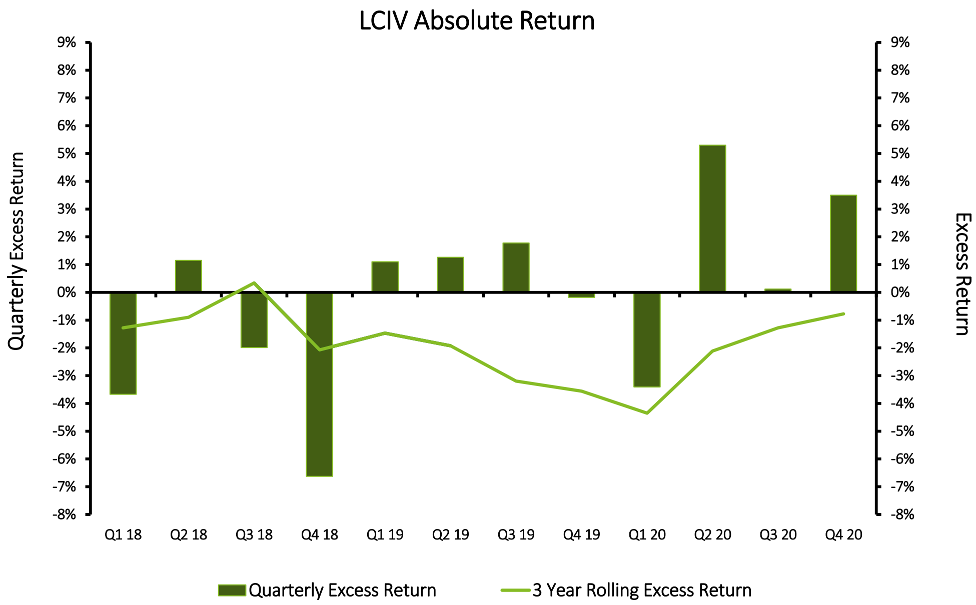
8 LCIV – Absolute Return

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform from 21 June 2016, 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 2020

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	4.5	9.9	3.8	5.2
Target	1.0	4.3	4.6	4.5
Net performance relative to Target	3.5	5.6	-0.8	0.7

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



The Absolute Return Fund returned 4.5% on a net of fees basis over the fourth quarter of 2020, outperforming its LIBOR+4% target by 3.5%. The strategy has delivered an absolute return of 9.9% over the year to 31 December 2020 on a net of fees basis, outperforming its target by 5.6%. Over the longer three and five year periods to 31 December 2020, the strategy has delivered positive returns of 3.8% p.a. and 5.2% p.a. respectively on a net of fees basis, underperforming its target by 0.8% p.a. over the three year period, whilst outperforming the LIBOR-based target by 0.7% p.a. over the five year period to 31 December 2020.

Positive performance was largely driven by the strategy's equity exposure, with global equity markets rising over the fourth quarter of 2020 in light of an influx of multiple effective vaccines. Ruffer's equity holdings outperformed the wider market, owing to the strategy's bias towards recovery-sensitive stocks, with global cyclical and value equities rallying sharply over the quarter. Ruffer successfully added to the portfolio's economically-sensitive equities, including energy and financials, during the quarter, which contributed to the strategy's outperformance. The portfolio's UK-based equities also contributed positively to performance, following expectations of a trade deal being struck between the UK and the EU towards the end of 2020.

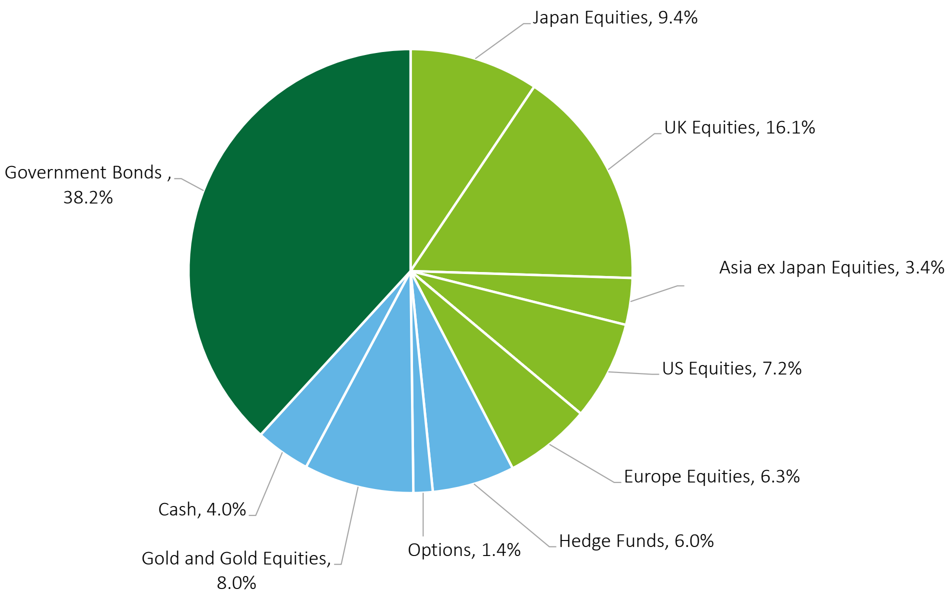
However, after driving positive returns over the second and third quarters of 2020, the strategy's gold and gold equities allocation detracted from performance over the three month period to 31 December 2020 despite falling real yields and a weak US dollar. This follows a surge in investor risk appetite, with investors rotating out of defensive strategies into riskier assets. Ruffer opted to take profits from a number of its gold-related holdings early in the quarter, with the gold and gold equities allocation reduced to 8% as at quarter end following a peak allocation of 12% at the beginning of August. This proved to be beneficial, with gold equities falling in value considerably over the quarter.

At the portfolio allocation level, the Absolute Return Fund's equity allocation stands at c. 42%, an increase of c. 9% over the quarter, with Ruffer taking the view that good news is amplified by the market whilst the market's reaction to negative news is somewhat understated.

Over the quarter, Ruffer also made a new small allocation to bitcoin, which represented c. 2% of the portfolio and was funded from the aforementioned gold sales. The position was added to the portfolio via the Ruffer Illiquid Multi Strategies Fund, with Ruffer observing that the allocation will serve as a hedge against inflation and general monetary instability, adding an additional layer of protection alongside the portfolio's inflation-linked bonds and gold allocations. The bitcoin investment is held in a segregated account by the world's largest custodian of digital assets, One River, and regulated under New York state banking laws. The asset is held separately from the holdings of other institutional clients and is covered by an industry-leading insurance policy.

8.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 31 December 2020.



Source: London CIV

9 LCIV – Global Bond

PIMCO was appointed on 8 May 2019 to manage a Global Bond mandate, held as a sub-fund under the London CIV platform from 30 November 2018. The aim of the Fund is to outperform the Barclays Aggregate – Credit Index Hedged (GBP) Index. The manager has a fixed fee based on the value of assets.

9.1 Global Bond – Investment Performance to 31 December 2020

	Last Quarter (%)	One Year (%)
Net of fees	2.9	5.6
Benchmark	2.3	6.8
Net Performance relative to Benchmark	0.6	-1.2

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

Over the quarter to 31 December 2020, the LCIV Global Bond Fund returned 2.9% on a net of fees basis, outperforming its Barclays Aggregate – Credit Index Hedged (GBP) Index by 0.6%. The strategy delivered a positive return of 5.6% over the year to 31 December 2020, underperforming the benchmark by 1.2% primarily as a result of the extent of the underperformance relative to the benchmark over the first quarter of 2020. That said, the strategy's duration positioning, high yield and financials exposures have considerably contributed to positive returns since the end of the first quarter of 2020, after representing key detractors to performance over Q1 2020.

At a sector level, financials provided the largest positive contribution to performance over the quarter, particularly the banking sector with the portfolio's subordinated bank capital debt allocation delivering positive returns for the second consecutive quarter. This follows elevated investor risk appetite, with bank fundamentals expressing resilience over the quarter. Subordinated bank debt performance can also be partially attributable to the continued tightening of spreads over the three month period.

As with the third quarter of 2020, the strategy's overweight allocations to consumer finance and leasing companies proved beneficial relative to the benchmark, with cyclical sectors, particularly those with a heightened sensitivity to the impacts of the COVID-19 pandemic, outperforming more defensive sectors over the quarter to 31 December 2020 as cyclical sectors recognised a further degree of recovery.

The strategy experienced no defaults over the quarter, although 34 issues, representing c. 4.2% of the portfolio, were downgraded over the period with six of these issues, representing c. 0.3% of the portfolio, downgraded to sub investment grade. PIMCO still holds conviction in these issues, and has therefore continued to hold the positions.

The strategy remains relatively well positioned to cope with downgrades. The Global Bond Fund has the ability to hold up to 10% in sub-investment grade credit.

9.2 Performance Analysis

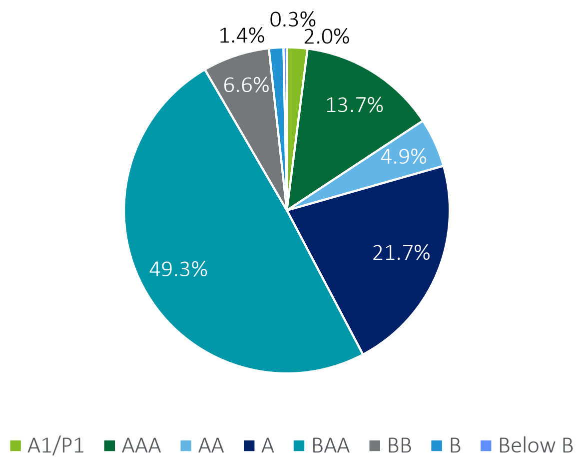
The table below summarises the Global Bond portfolio's key characteristics as at 31 December 2020.

	30 September 2020	31 December 2020
No. of Holdings	870	904
No. of Countries	45	45
Coupon	3.29	3.05
Effective Duration	7.08	6.92
Rating	A-	A-
Yield to Maturity (%)	2.57	1.79

Source: London CIV

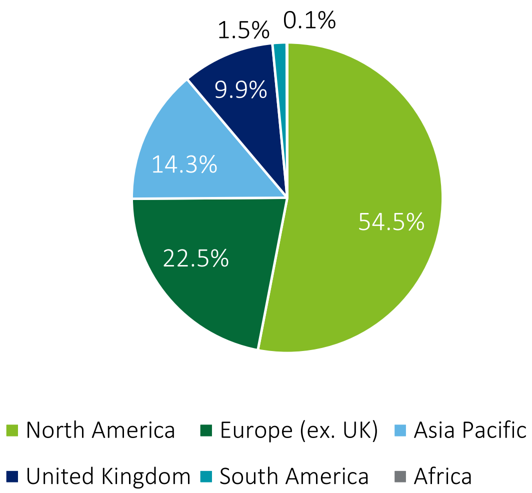
The number of holdings in the portfolio increased by 34 over the quarter, with the Global Bond Fund continuing to participate in an increased level of corporate debt issuance. PIMCO has increased its exposure to COVID-sensitive sectors over the quarter in an attempt to benefit from the current risk characteristics of the market, with risk appetite largely increasing, but remains highly selective in its approach to making allocations to cyclical investments.

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund's investment grade holdings made up c. 91.6% of the portfolio as at 31 December 2020, an increase of 1.6% over the quarter, with the Fund predominately invested in BAA and A rated bonds.



Source: London CIV

The chart below represents the regional split of the Global Bond portfolio.



Source: London CIV

Note that figures do not sum to 100% due to short holdings in cash and currency forwards.

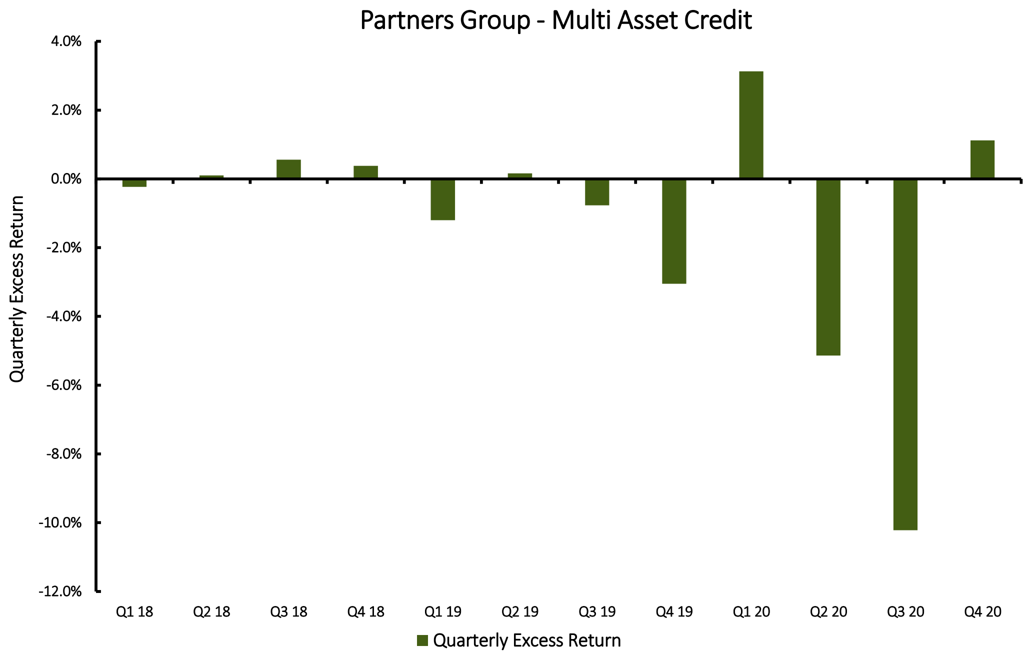
10 Partners Group – Multi Asset Credit

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

10.1 Multi Asset Credit - Investment Performance to 30 November 2020

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	2.1	-7.3	-0.8	2.2
Benchmark / Target	1.0	4.3	4.6	4.5
Net performance relative to Benchmark	1.1	-11.6	-5.4	-2.4

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



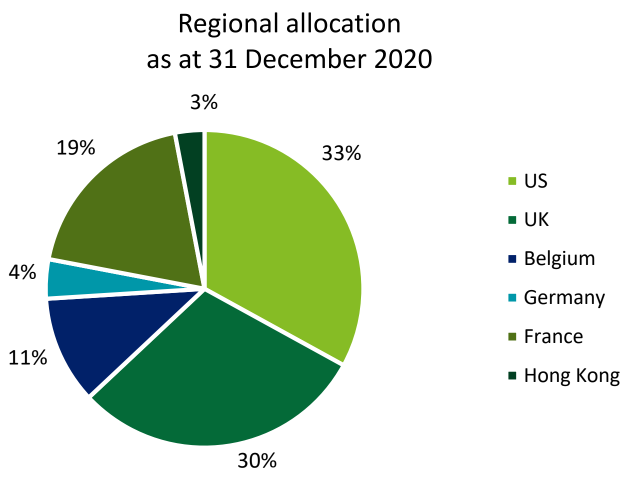
Please note, performance shown is to 30 November 2020.

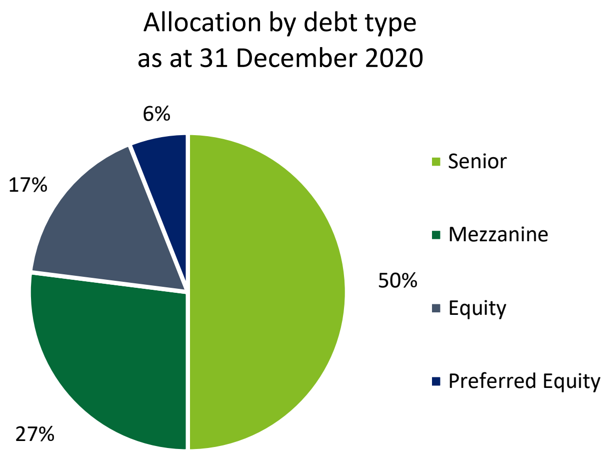
Over the three month period to 30 November 2020, the Multi Asset Credit strategy delivered a positive return of 2.1% on a net of fees basis, outperforming its 3 Month LIBOR +4% benchmark by 1.1%. Over the quarter to 31 December 2020, we expect the MAC Fund to have delivered a return of 4.8% on a net of fees basis, based on an estimation of the strategy's time-weighted rate of return using cashflow information.

Over the year to 30 November 2020, the strategy has underperformed its benchmark by 11.6%, returning -7.3% on a net of fees basis. The negative performance can be partially attributed to impairments to the underlying investments of the portfolio, as a result of the impact of COVID-19, alongside the particular impact from the write-down of the Cote Bistro debt allocation noted over the third quarter of 2020.

10.2 Asset Allocation

The charts below show the regional split of the Fund as at 31 December 2020.





Note: Based on information provided by Partners Group.

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10.3 Fund Activity

As at 31 December 2020 the Partners Group Multi Asset Credit Fund had made 54 investments of which 42 have been fully realised. The Fund's three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors. .

[redacted]

Partners Group issued two distributions over the quarter, with a combined c. £0.8m distributed to the London Borough of Hammersmith and Fulham Pension Fund following distributions on 5 November 2020 and 30 December 2020.

Following quarter end, on 28 January 2021, Partners Group issued a further distribution, with £1.2m distributed to the London Borough of Hammersmith and Fulham Pension Fund.

11 Aberdeen Standard Investments – Multi-Sector Private Credit Fund

Aberdeen Standard Investments was appointed to manage a multi sector private credit mandate, with the Fund drawing down capital for investment on 8 April 2020. The Multi Sector Private Credit Fund aims to outperform the ICE ML Sterling BBB Corporate Bond Index once it has been fully deployed. The manager has a fixed annual management fee based on the value of investments.

11.1 Multi-Sector Private Credit - Investment Performance to 31 December 2020

	Last Quarter (%)
Net of fees	1.4
Benchmark / Target	2.1
Net performance relative to Benchmark	-0.7

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

The ASI Multi Sector Private Credit Fund delivered a positive absolute return of 1.4% on a net of fees basis over the quarter to 31 December 2020, underperforming the blended benchmark by 0.7%. The strategy continues to deploy invested capital, with non-deployed capital invested in a portfolio of cash and short term bonds until full investment is achieved.

Once fully committed, the strategy will be measured against the ICE ML Sterling BBB Corporate Bond Index. While the strategy is in the process of deploying invested capital, the strategy is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index, with the weight of the benchmark allocated to the ICE ML Sterling BBB Corporate Bond Index reflecting the proportion of the Fund's investment in the MSPC Fund which has been deployed by ASI. Over the quarter to 31 December 2020, the MSPC Fund has been measured against a benchmark of 53.2% 3 Month Sterling LIBOR and 46.8% ICE ML Sterling BBB Corporate Bond Index.

11.2 Portfolio Composition

Aberdeen Standard Investments aims to deploy invested capital in line with its long-term target asset allocation over two phases – an initial allocation via liquid opportunities, and a second phase made up of illiquid investments.

Phase 1 – Initial Asset Allocation

The target initial asset allocation, and allocation as at 20 January 2021, is provided in the table below:

	Target Phase 1 Allocation (%)	20 January 2021 Allocation (%)
Cash/Liquid Instruments		
Liquid ABS	10.0	6.7
Short Duration Fund	15.0	14.3
Cash	10.0	11.1
Corporate Loans		
Global Loans Fund	15.0	15.0
Public Opportunities		
Short Duration Corp Bonds (6 month duration)	15.0	11.3

IG Corp Bonds (3-4 year duration)	25.0	25.0
Structured Credit – Mezzanine ABS		
CMBS	5.0	0.0
CLO's	5.0	1.0

Source: Aberdeen Standard Investments

Phase 2 – Illiquid Investments

The table below provides details of the illiquid investments the strategy has invested in since inception, as at 20 January 2021:

Project Name	Date Completed	MSPC Investment	Total Debt Raised	Maturity	Credit Rating	Spread*	Yield
Infrastructure Debt							
Infra 1 (UK Smart Meter)	July 2020	£4.4m	£1.1bn (4.4% by ASI)	14 years (7-year WAL)	BBB	250 bps	2.6%
Commercial Real Estate Debt							
CREL 1 (Industrial)	July 2020	£3.2m	£44m (100% by ASI)	3 years	BBB	362 bps	3.7%
CREL 2 (Retail Park)	November 2020	£1.7m	£7.4m (100% by ASI)	5 years	A	415 bps	4.1%
CREL 3 (Retail Park)	December 2020	£2.2m	£26m (100% by ASI)	5 years	A	518 bps	5.2%
CREL 4	TBC	£2.1m	TBC	TBC	TBC	TBC	TBC
Private Placement							
PP 1 (Homebuilder)	November 2020	£1.6m	£100m (5% by ASI)	8 years	BBB	245 bps	2.5%
PP 2 (Manufacturer)	December 2020	€5.0m	€100m (5% by ASI)	8 years	BB+	396 bps	4.2%[1] (3.2% in EUR)
PP 3 (Utility)	November 2020	£4.0m	£50m (8% by ASI)	8 years	B+	495 bps	5.1%[1]

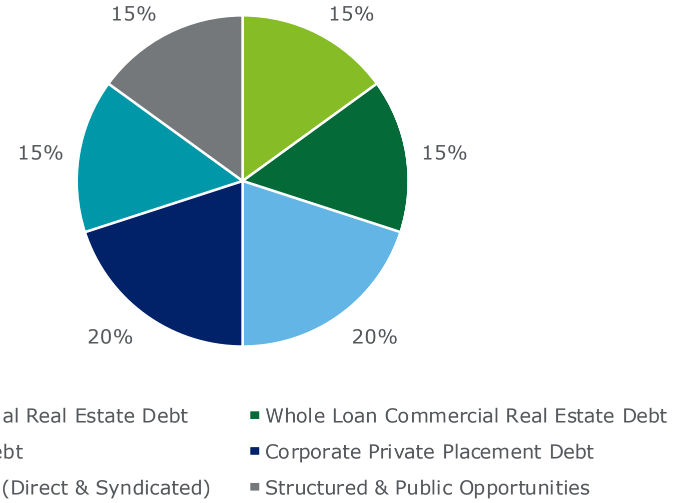
Source: Aberdeen Standard Investments

*Relative to 8 year gilts

[1]Expected yield

Long-Term Target Allocation

The long-term target allocation of the ASI MSPC Fund is shown below:



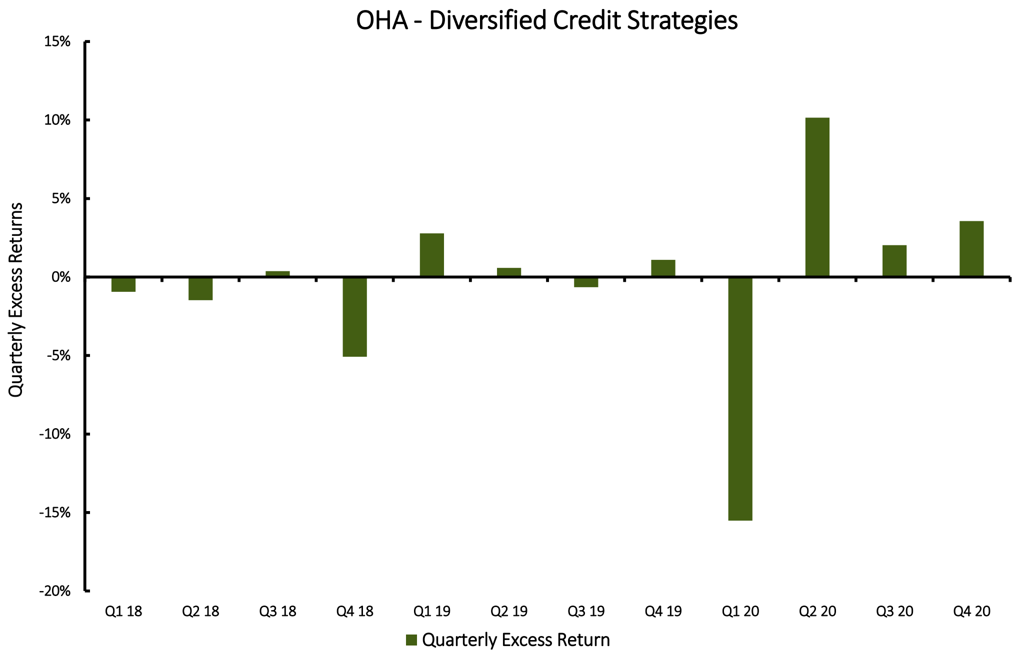
12 Oak Hill Advisors – Diversified Credit Strategies Fund

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.

12.1 Diversified Credit Strategies - Investment Performance to 31 December 2020

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	4.6	2.6	2.8	5.1
Benchmark / Target	1.0	4.3	4.6	4.5
Net Performance relative to Benchmark	3.6	-1.7	-1.8	0.6

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



The Oak Hill Advisors Diversified Credit Strategies Fund delivered a positive absolute return of 4.6% on a net of fees basis over the fourth quarter of 2020, outperforming its 3 Month Sterling LIBOR +4% p.a. benchmark by 3.6%. Over the year to 31 December 2020, the strategy delivered a positive absolute return of 2.6% on a net of fees basis, underperforming the benchmark by 1.7% over the period as a result of the extent of the strategy's underperformance over the first quarter of 2020. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

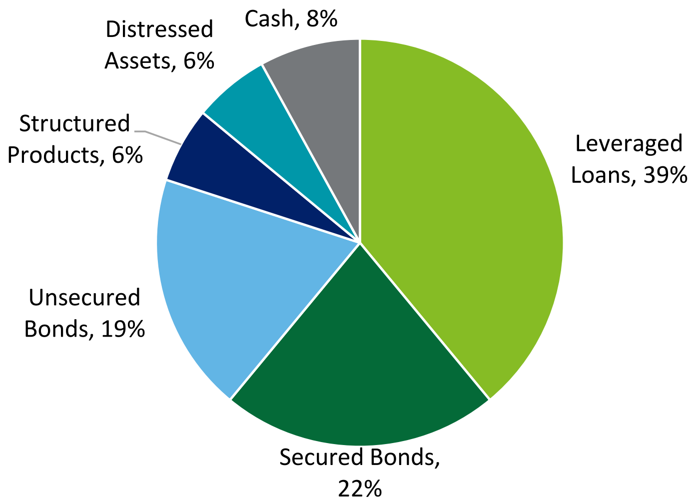
With credit spreads narrowing further over the quarter, the strategy's high yield bonds and leveraged loans exposures delivered positive returns for the third consecutive quarter. Over the year to 31 December 2020, the strategy's high yield bonds and leveraged loans allocations have now delivered positive returns of 11.3% and 4.5% respectively, reflecting that these asset classes have now more than made up the losses realised over the first quarter of 2020.

The strategy's distressed assets exposures have negatively impacted fund performance over the year, owing to elevated default risk given the severity of the COVID-19 economic impact to date, and the potential for further economic damage from the implementation of increased lockdown restrictions. The Diversified Credit Strategies Fund has held an average allocation of c. 10% to distressed assets over 2020.

Oak Hill Advisors does not track the number of defaults within its portfolio. The strategy's opportunistic nature means that the fund can take on restructuring opportunities for issuers. However, the manager does track when an issuer becomes "non-performing". Oak Hill Advisors has stated that no positions in the portfolio became "non-performing" over the quarter.

12.2 Asset Allocation

The below chart shows the composition of the Diversified Credit Strategies Fund's Portfolio as at 31 December 2020.



Source: Oak Hill Advisors

Over the quarter, the Diversified Credit Strategies Fund decreased its allocation to leveraged loans and secured bonds, whilst increasing the portfolio's cash holding and its allocation to distressed assets.

13 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.

13.1 Direct Infrastructure - Investment Performance to 31 December 2020

Activity

In October 2020, Partners Group announced that it had agreed to acquire a significant equity stake in Telepass S.p.A ("Telepass"), a leading electronic toll collection services provider in Europe. Following the acquisition, Partners Group will become joint owner of Telepass with its current investor Atlantia, a global leader in the transport sector. The transaction values Telepass at an enterprise value of over €2bn. Partners Group is yet to confirm the proportion of this acquisition that will be allocated to the Direct Infrastructure Fund's portfolio.

As at 31 December 2020, the total capacity of the Direct Infrastructure Fund was €1.08 billion. Of this, c. 81% (c. €0.9bn) has been committed to investments as at 30 November 2020, with 54% (c. €0.6bn) of the total capacity drawn down from investors as at 31 December 2020.

The Partners Group Direct Infrastructure Fund's portfolio is made up primarily of investments that have no direct correlation to GDP. The remaining assets have limited correlation with GDP, however these assets provide an essential service with contract-based structures and high barriers to entry. As such, Partners Group sees no immediate causes for concern as a result of the COVID-19 pandemic.

Capital Calls and Distributions

The Fund issued no further capital calls over the fourth quarter of 2020, but issued two distributions of capital:

- On 18 December 2020, the Fund issued a €15.0m distribution, of which the London Borough of Hammersmith & Fulham Pension Fund received c. €0.8m. The distribution represents a return of capital, resulting from the proceeds stemming from the sale of Partners Group's 50% equity stake in Covage, a leading open-access fiber infrastructure platform in France. The sale of the stake in Covage is a significant step towards the full divestment of the 2016 acquisition of Axia NetMedia Corporation; and

- On 21 December 2020, the Fund issued a c. €35.0m distribution, of which the London Borough of Hammersmith & Fulham Pension Fund received c. €1.8m. The distribution is related to dividends in respect of the 50% equity stake in Covage.

Pipeline

Partners Group currently has 21 transactions in due diligence, representing investment opportunities totalling c. $8.5bn across the whole group. The opportunities are predominately within the Communication, Energy Infrastructure, Renewable Power and Transportation sectors, with c. 85% of the pipeline split between Europe and North America.

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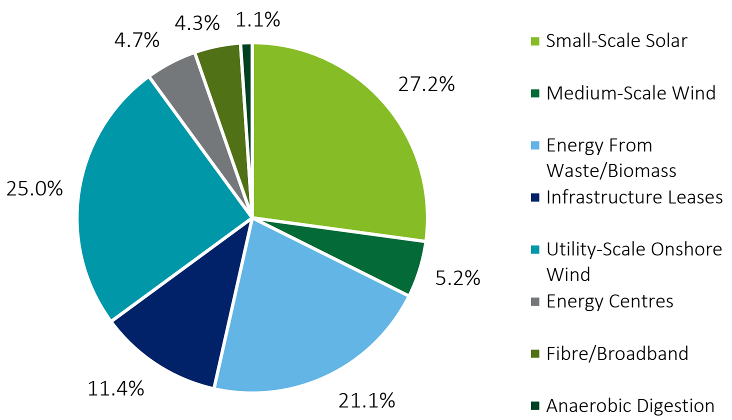
14 Aviva Investors – Infrastructure Income

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.

14.1 Infrastructure Income - Investment Performance to 30 September 2020

Sector Breakdown

The chart below shows the split of the portfolio by sector as at 30 September 2020.



Source: Aviva Investors.

Small-scale solar and utility-scale onshore wind make up c. 52% of the portfolio.

Holdings

The top 10 holdings in the Infrastructure Income Fund account for c. 51.9% of the Fund and are detailed below.

Top 10 holdings as at 30 September 2020	Asset	Proportion of Fund
Brockloch Rig Wind Farm	Utility-scale Onshore Wind	7.8%
Hooton Bio Power	Energy from Waste	6.7%
Biomass UK No.3	Energy from Waste	5.7%
HomeSun	Small-scale Solar PV	4.8%
Aviva Investors Energy Centres No.1	Energy Centres	4.8%
Turncole Wind Farm	Utility-scale Onshore Wind	4.5%
Biomass UK No.1	Energy from Waste	4.5%
EES Operations No.1	Small-scale Solar PV	4.4%
Biomass UK No.2	Energy from Waste	4.4%
Minnygap Energy	Utility-scale Onshore Wind	4.4%
Total		**51.9%**

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

Source: Aviva Investors.

Pipeline

As at 31 December 2020, the queue for the Infrastructure Income Fund was c. £15m, with one new investor, a UK defined benefit pension scheme, being onboarded. Aviva currently has a "priority pipeline", representing transactions which the Fund has exclusivity on, are in due diligence for or are strongly positioned to complete on due to Aviva's leading position in the relevant sector or relationship with the opportunity partner. The opportunities within the priority pipeline amounted to c. £209.4m as at 30 September 2020 and are generally expected to reach a close within 9-12 months.

Over the quarter to 31 December 2020, Aviva completed two small infrastructure leases as part of a continued pipeline of similar deals with Horus for a total consideration of £1.4m.

As highlighted in the Manager Update section of this report, Aviva has confirmed that the Infrastructure Income Fund will "soft close" to investors once a further £350m of capital has been raised, equating to a total fund net asset value of c. £1.7bn.

COVID-19 Impact

Following the COVID-19 outbreak, the Aviva Investors Infrastructure Income Fund and its underlying assets have been valued in line with Aviva's usual valuation policy and methodology, with the 2020 valuations reflecting the potential impact on assets from COVID-19 related factors. Aviva has confirmed that it has not applied material uncertainty or suspended pricing or issuing units in the Fund.

The strategy has proven to be resilient during the COVID-19 pandemic. All sectors were designated by the government as key sectors and there was therefore no requirement to cease operations. As the majority of the assets in the portfolio were obtained on an unlevered basis, any additional financial risk that may arise from levered assets has been mitigated.

Aviva has confirmed that the overall COVID-19 impact on the portfolio remains low, although there has been some supply chain disruption. In particular, Aviva has recognised lengthening of construction schedules for the Newport energy from waste plant, some disruption to feedstock supplies for biomass, and delays in roll-out of fibre connections to the home following social distancing considerations. Aviva has, however, confirmed that these assets continue to remain operational and fund distributions have been maintained.

Further details of the impact on each sector can be found in the table below, which has been provided by Aviva.

Sector	Aviva view on impact
Small-scale solar	Low impact, as revenue comes from assets with low operational complexity and low counterparty risk alongside income coming from regulated sources.
Medium-scale wind	Low impact, as revenue comes from assets with low operational complexity and low counterparty risk alongside income coming from regulated sources.
Energy from waste	Moderate impact, primarily as a result of power price volatility and supply chain disruption with insufficient staff to supply assets and operate assets.
Infrastructure leases	Low impact as lease structures are collateralised against assets.
Utility-scale onshore wind	Low impact as revenue comes from assets with low operational complexity and low counterparty risk with a mix of regulated income and power price exposure.
Energy centres	Low impact as lease structures are collateralised against assets and the counterparty is the public sector.
Fibre broadband	Low impact as installed network operated remotely with capacity to increase network growth already in place. Some construction projects suffered some delays in rolling-out new assets, however this is not expected to increase costs but will delay the planned roll out schedule. A potential positive of the COVID-19 pandemic is the increased demand for ultrafast connectivity.
Biogas	Low impact, as revenue comes from regulated and/or contractual sources, with demand unaffected.

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 2020

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.3	4.0	5.6	6.8
Benchmark / Target	1.1	10.3	7.2	7.5
Net Performance relative to Benchmark	0.2	-6.2	-1.6	-0.7

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

Over the fourth quarter of 2020, the ASI Long Lease Property Fund delivered an absolute return of 1.3% on a net of fees basis, outperforming its FT British Government All Stocks Index Benchmark by 0.2%.

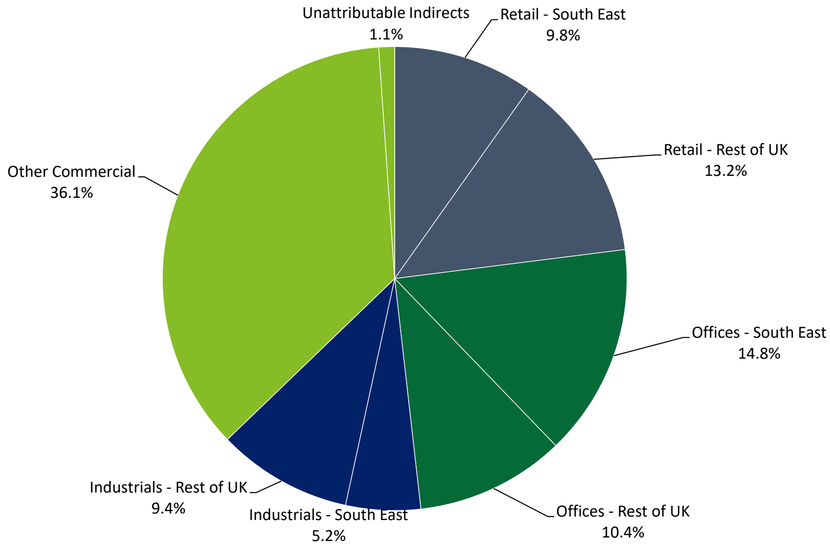
The Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 0.7% over the quarter on a net of fees basis.

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

Rent collection marginally increased over the fourth quarter of 2020 compared to Q3 as ASI realised Q4 collection rates of 95.8% compared with 95.3% over the third quarter of 2020, as at 15 January 2021. Over the fourth quarter of 2020, 3.2% of the Long Lease Property Fund's rental income is subject to deferment arrangements, with 1.0% unpaid or subject to ongoing discussions with tenants. As at 22 January 2021, ASI has collected 80.5% of its Q1 2021 rent, with 12.6% subject to deferment arrangements and 11.5% of rent unpaid or subject to ongoing discussions with tenants as at 15 January 2021.

15.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 December 2020 is shown in the graph below.



Over the quarter to 31 December 2020, the ASI Long Lease Property Fund's allocation to the office and retail sectors decreased by 0.4% and 0.1% to 25.2% and 23.0% respectively. The allocations to industrials and other commercial properties increased by 0.3% to 14.6% and by 1.3% to 35.9% respectively over the quarter.

Q4 2020 and Q1 2021 rent collection, split by sector, as at 22 January 2021 is reflected in the table below:

Sector	Proportion of Fund (%)	Q4 2020 collection rate (%)	Q1 2021 collection rate (%)
Alternatives	6.1	100.0	63.5
Car Parks	3.7	100.0	100.0
Car Showrooms	2.9	100.0	40.1
Hotels	7.9	75.2	36.9
Industrial	15.0	100.0	60.6
Leisure	3.3	100.0	100.0
Public Houses	5.6	77.3	11.3
Offices	27.4	100.0	95.4
Student Accommodation	9.6	100.0	70.5
Supermarkets	18.5	100.0	100.0
Total	**100.0**	**95.8**	**80.5**

The hotels and public houses sectors have expressed the poorest rental collection statistics over Q4 2020 and Q1 2021 as at 22 January 2021, whilst the student accommodation sector continues to be impacted by COVID-19. However, the leisure sector, previously the most impacted by the COVID-19 outbreak, has seen 100% rental collection statistics over Q4 2020 and Q1 2021 as lockdown restrictions were eased.

As at 31 December 2020, six tenants have issued requests to ASI for rent deferment, representing 13.7% of Fund income:

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The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 31 December 2020:

Tenant	% Net Income	Credit Rating
Tesco	7.8	BBB
Whitbread	5.8	BBB
Sainsbury's	4.8	BB
Marston's	4.5	BB
Asda	3.9	BBB
Salford University	3.7	A
QVC	3.5	BB
Save the Children	3.5	BB
Lloyds Bank	3.4	AA
Poundland	3.4	B
Total	**44.2***	

*Total may not equal sum of values due to rounding

As at 31 December 2020, the top 10 tenants contributed 44.2% of the total net income of the Fund. Of which 16.5% of the net income came from the supermarket sector, with Tesco, Sainsbury's and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term decreased from 24.5 years as at 30 September 2020 to 24.3 years as at 31 December 2020. The proportion of income with fixed, CPI or RPI rental increases rose by 0.1% over the quarter to 90.6%. The UK Statistics Authority have recommended aligning RPI methodology with that of CPIH by 2030. ASI will be submitting a formal response within the consultation period, which has been extended to August 2021. In January 2021, it was announced that the earliest that the change can take place had been pushed back from 2025 to 2030.

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
LCIV	Global Equity Core	15.0%	MSCI AC World Index	30/09/20
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
PIMCO	Global Bond	10.0%	Barclays Global Aggregate – Credit Index Hedged (GBP)	09/05/19
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	0.0%	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
Aberdeen Standard Investments	Multi Sector Private Credit	5.0%	3 Month Sterling LIBOR / ICE ML Sterling BBB Corporate Bond Index	08/04/2020
Partners Group	Infrastructure Fund	5.0%	3 Month Sterling LIBOR +8% p.a.	31/08/15
Aviva Investors	Infrastructure Income Fund	2.5%	3 Month Sterling LIBOR +6% p.a.	23/05/18
Aberdeen Standard Investments	Long Lease Property	5.0%	FT British Government All Stocks Index +2.0%	09/04/15
TBC	Ground Rents	5.0%	TBC	TBC
TBC	Affordable / Supported Housing	5.0%	TBC	TBC
	Total	**100.0%**		

Appendix 2 – Manager Ratings

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

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

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

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

Appendix 3 – Fee Benchmarking

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Appendix 4 – Risk Warnings & Disclosures

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

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

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Pension Fund Current Account Cashflow Actuals and Forecast for period: Oct 2020 to Sep 2021

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	F'cast Annual Totals	F'cast 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	**1,697**	**1,904**	**1,095**	**1,008**	**1,708**	**2,408**	**1,608**	**4,108**	**3,608**	**2,808**	**1,508**	**1,008**	**£000s**	**£000s**
Contributions	2,844	2,457	2,909	2,600	2,600	2,600	6,400	2,600	2,600	2,600	2,600	2,600	**35,410**	**2,951**
Pensions	(3,261)	(3,259)	(3,612)	(3,300)	(3,300)	(3,300)	(3,300)	(3,300)	(3,300)	(3,300)	(3,300)	(3,300)	**(39,832)**	**(3,319)**
Lump Sums	(579)	(594)	(662)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	**(7,235)**	**(603)**
Net TVs in/(out)	(735)	(275)	808	200	200	200	200	200	200	200	200	200	**1,598**	**133**
Net Expenses	(62)	(1)	(69)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	**(1,932)**	**(161)**
Net Cash Surplus/(Deficit)	**(1,793)**	**(1,672)**	**(626)**	**(1,300)**	**(1,300)**	**(1,300)**	**2,500**	**(1,300)**	**(1,300)**	**(1,300)**	**(1,300)**	**(1,300)**	**(11,991)**	**(999)**
Distributions	-	863	539	-	2,000	500	-	800	500	-	800	500	**6,502**	**542**
Net Cash Surplus/(Deficit) including investment income	**(1,793)**	**(809)**	**(87)**	**(1,300)**	**700**	**(800)**	**2,500**	**(500)**	**(800)**	**(1,300)**	**(500)**	**(800)**	**(5,489)**	**(457)**
Withdrawals from Custody Cash	2,000	-	-	2,000	-	-		-	-	-	-	2,000	**6,000**	**545**
Balance c/f	**1,904**	**1,095**	**1,008**	**1,708**	**2,408**	**1,608**	**4,108**	**3,608**	**2,808**	**1,508**	**1,008**	**2,208**	**511**	**88**

Current Account Cashflow Actuals compared to forecast for period: Oct 2020 to Dec 2020

	Oct-20		Nov-20		Dec-20		Oct-Dec 20
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	2,844	2,600	2,457	2,600	2,909	410
Pensions	(3,100)	(3,261)	(3,100)	(3,259)	(3,100)	(3,612)	(832)
Lump Sums	(600)	(579)	(600)	(594)	(600)	(662)	(35)
Net TVs in/(out)	300	(735)	300	(275)	300	808	(1,102)
Expenses	(200)	(62)	(200)	(1)	(200)	(69)	468
Distributions	-	-	800	863	500	539	102
Withdrawals from Custody Cash	2,000	2,000	-	-	-	-	-
Total	**1,000**	**207**	**(200)**	**(809)**	**(500)**	**(87)**	**(989)**

Notes on variances during quarter:

- Distributions of £1.4m were paid to the fund during the quarter. The forecast for the next quarter for this amount is to increase slightly because of the overweight to Ruffer.
- Lump sums and net transfer values are difficult to forecast on a month basis, however, the forecast over the quarter is generally in line with expectations.

Pension Fund Custody Invested Cashflow Actuals and Forecast for period: Oct 2020 to Sep 2021

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	F'cast Annual Total	F'cast 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	**3,485**	**115,619**	**4,173**	**3,629**	**1,629**	**1,629**	**1,429**	**1,429**	**1,429**	**3,229**	**3,229**	**3,229**	**£000s**	**£000s**
Sale of Assets	114,077	1,906	738	-		1,000			1,000				**118,721**	**19,787**
Purchase of Assets	0	(113,340)	(3,000)	-		(1,200)			(1,200)				**(118,740)**	**(19,790)**
Net Capital Cashflows	**114,077**	**(111,434)**	**(2,262)**	**0**	**0**	**(200)**	**0**	**0**	**(200)**	**0**	**0**	**0**	**(19)**	**(2)**
Distributions	20	-	1,774	-	-	-	-	-	2,000	-	-	-	**3,794**	**316**
Interest	(0)	(0)	(0)										**(1)**	**(0)**
Management Expenses	(4)	(11)	0										**(15)**	**(5)**
Foreign Exchange Gains/Losses	41	(0)	(55)										**(14)**	**(5)**
Class Actions	-	-	-										**0**	**0**
Net Revenue Cashflows	**57**	**(11)**	**1,719**	**0**	**0**	**0**	**0**	**0**	**2,000**	**0**	**0**	**0**	**3,764**	**314**
Net Cash Surplus/(Deficit) excluding withdrawals	**114,134**	**(111,446)**	**(544)**	**0**	**0**	**(200)**	**0**	**0**	**1,800**	**0**	**0**	**0**	**3,744**	**312**
Withdrawals from Custody Cash	(2,000)	-	-	(2,000)	-	-	-	-	-	0	0	(2,000)	**(6,000)**	**(500)**
Balance c/f	**115,619**	**4,173**	**3,629**	**1,629**	**1,629**	**1,429**	**1,429**	**1,429**	**3,229**	**3,229**	**3,229**	**1,229**	**(2,256)**	**(188)**

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

Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
				Fund	Employers	Reputation	Total						
Admin	1	1	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all postiions likely to be a challenge. At the Same time the Pension Fund is transferring its Pension Fund Administration service from Surrey County Council, to the Local Pensions Parternship.	4	3	3	10	5	**50**	TREAT 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment is underway for the the retained team 3) Officers to receive a handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition.	3	**30**	22/02/2021
Admin	2		COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	4	3	9	3	**27**	**TOLERATE** 1) The Pensions Administration team have shifted to working from home 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home.	3	**27**	22/02/2021
Admin	3	1	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. Service may deteriorate due to the contract ending at the end of 2021.	1	3	3	7	4	**28**	**TOLERATE** 1) Officers to continue monitor the ongoing staffing changes at Surrey CC. 2) Ongoing monitoring of contract and KPIs	3	**21**	22/02/2021
Admin	4		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**	22/02/2021
Admin	5		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. 3). Officers to take advice from the investment advisor on fund manager ratings and monitoring investment	2	**18**	22/02/2021
Admin	6		Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	**21**	**TREAT** 1) Process notes are 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**	22/02/2021

Admin	7		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 can interrogate data to ensure accuracy.	1	**11**	22/02/2021
Admin	8		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**	22/02/2021
Admin	9		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 regarding 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**	22/02/2021
Admin	10		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**	22/02/2021
Admin	11		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**	22/02/2021
Admin	12		Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	**12**	**TREAT** 1) Reconciliation is undertaken by the pension fund team. Officers to ensure that reconciliation process notes are understood and applied correctly the team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	2	**8**	22/02/2021
Admin	13		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	**TREAT** 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**	22/02/2021
Admin	14		Failure to detect material errors in bank reconciliation process.	2	2	2	6	2	**12**	**TREAT** 1) Pensions team to continue to work closely with staff at HCC to smooth over any teething problems relating to the newly agreed reconciliation process.	1	**6**	22/02/2021

Admin	15		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 this is collected over several months.	1	**6**	22/02/2021
Admin	16		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. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	1	**6**	22/02/2021
Admin	17		Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**9**	**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. 2) All files are backed up daily.	2	**6**	22/02/2021
Admin	18		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**	22/02/2021
Admin	19		Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	**10**	**TREAT** 1) The team will continue to ensure process notes are updated and circulated amongst colleagues in the Pension Fund and Administration teams.	1	**5**	22/02/2021
Admin	20		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**	22/02/2021
Admin	21		Rise in ill health retirements impact employer organisations.	2	2	1	5	2	**10**	**TREAT** 1) Engage with actuary re assumptions in contribution rates.	1	**5**	22/02/2021
Admin	22		Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	**10**	**TREAT** 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	22/02/2021

London Borough of Hammersmith & Fulham Pension Fund Risk Register - Investment Risk										
Risk Group	Risk Ref.	Movement	Risk Description	Impact Total	Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on
Investment	1		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets. Valuations of illiquid assets such as property and infrastructure are increasingly difficult to determine.	11	4	44	**TREAT** 1) Officers will continue to monitor the impact lockdown measures have on the fund's underlying investments and the wider economic environment 2) The Fund will continue to review its asset allocation and make any changes when necessary 3) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements.	3	33	10/09/2020
Investment	2		Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty	10	4	40	**TREAT** 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy integrates portfolio diversification and risk management. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes.	3	30	10/09/2020
Funding	3		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%.	10	4	40	**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) Officers continue to monitor the increases in CPI inflation on an ongoing basis.	3	30	10/09/2020
Investment	4		Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union, including the failure to agree to a trade deal and the economic fallout after the transition period at the end of 2020.	9	3	27	**TREAT** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. 3) The UK exited the EU on 31 January 2020, there is now a transition period until the end of 2020. During this time current rules on trade, travel and business for the UK and EU will apply.	3	27	10/09/2020
Funding	5		There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	12	3	36	**TREAT** 1) Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. 2) The Fund receives quarterly income distributions from some of its investments to help meet its short term pensions obligations. 3) The fund will review the income it receives from underlying investments and make suitable investments to meet its target income requirements.	2	24	10/09/2020

Governance	6		The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	12	2	**24**	**TORELATE** 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. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups.	2	**24**	10/09/2020
Investment	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.	11	3	**33**	**TREAT** 1) The Investment Management Agreements (IMAs)clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee is 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	**22**	10/09/2020
Funding	8		Scheme members live longer than expected leading to higher than expected liabilities.	11	2	**22**	**TOLERATE** 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	10/09/2020
Funding	9		Employee pay increases are significantly more than anticipated for employers within the Fund.	10	2	**20**	**TOLERATE** 1) Fund employers continue to 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**	10/09/2020

Investment	10	↔	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	10	3	**30**	**TREAT** 1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, 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 take 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	2	**20**	10/09/2020
Governance	11	↑	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	6	3	**18**	**TOLERATE** 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. 3) Uncertainty surrounding new MHCLG guidance	3	**18**	10/09/2020
Governance	12	↑	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	8	3	**24**	**TREAT** 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	**16**	10/09/2020
Funding	13	↔	Impact of economic and political decisions on the Pension Fund's employer workforce.	8	2	**16**	**TOLERATE** 1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	**16**	10/09/2020
Funding	14	↔	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	7	2	**14**	**TOLERATE** 1) Review "budgets" at each triennial valuation and challenge actuary as required. 2)Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3)Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	**14**	10/09/2020

Funding	15	↔	Impact of increases to employer contributions following the actuarial valuation	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**	10/09/2020
Governance	16	↔	Failure to take difficult decisions inhibits effective Fund management	12	2	**24**	**TREAT** 1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. 2)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 expert advice is sought.	1	**12**	10/09/2020
Governance	17	↔	Changes to LGPS Regulations	6	3	**18**	**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 2019 actuarial valuation process. 3) Fund will respond to several ongoing 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**	10/09/2020
Investment	18	↔	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	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 (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	**12**	10/09/2020
Governance	19	↔	Failure by the audit committee to perform its governance, assurance and risk management duties	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 governance issues are regularly tabled.	2	**12**	10/09/2020

Operational	20		Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain.	6	3	**18**	**TREAT** 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) 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.	2	**12**	10/09/2020
Funding	21		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	11	2	**22**	**TREAT** 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	**11**	10/09/2020
Investment	22		Financial loss of cash investments from fraudulent activity	11	2	**22**	**TREAT** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) 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. 3)Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	10/09/2020
Operational	23		Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	11	2	**22**	**TREAT** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR	1	**11**	10/09/2020
Governance	24		Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	11	2	**22**	**TREAT** 1) Officers maintain knowledge of legal framework for routine decisions. 2)Eversheds retained for consultation on non-routine matters.	1	**11**	10/09/2020

Funding	25	↔	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	11	2	**22**	**TREAT** 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	**11**	10/09/2020
Governance	26	↔	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	10	2	**20**	**TREAT** 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	**10**	10/09/2020
Operational	27	↔	Financial failure of third party supplier results in service impairment and financial loss.	10	2	**20**	**TREAT** 1) Performance of third party suppliers 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**	10/09/2020
Investment	28	↔	Failure of global custodian or counterparty.	10	2	**20**	**TREAT** 1)At time of appointment, ensure assets are separately registered and segregated by owner. 2)Review of internal control reports on an annual basis. 3)Credit rating kept under review.	1	**10**	10/09/2020
Operational	29	↔	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	10	2	**20**	**TREAT** 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure. 3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager. 4) Fund has the services of the London CIV.	1	**10**	10/09/2020
Governance	30	↔	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.	10	2	**20**	**TREAT** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	**10**	10/09/2020

Governance	31	↔	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	10	2	**20**	**TREAT** 1) Publication of all documents on external website. 2) Officers 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**	10/09/2020
Operational	32	↔	Inaccurate information in public domain leads to damage to reputation and loss of confidence	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.	2	**10**	10/09/2020
Funding	33	↓	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	10	1	**10**	**TOLERATE** 1) Political power required to effect the change.	1	**10**	10/09/2020
Funding	34	↓	Transfers out of the scheme increase significantly due to members transferring their pensions to DC funds to access cash through new pension freedoms.	10	1	**10**	**TOLERATE** 1) 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) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates.	1	**10**	10/09/2020
Funding	35	↔	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	9	2	**18**	**TREAT** 1) Review maturity of scheme at each triennial valuation. 2)Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 3) Cashflow position monitored monthly.	1	**9**	10/09/2020
Governance	36	↔	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	9	2	**18**	**TREAT** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	**9**	10/09/2020
Governance	37	↔	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	9	2	**18**	**TREAT** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	10/09/2020

Regulation	38	↓	Loss of 'Elective Professional Status' with any Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options and ongoing engagement with the Fund managers.	8	2	**16**	**TREAT** 1)Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2)Training programme and log are in place to ensure knowledge and understanding is kept up to date. 3)Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	**8**	10/09/2020
Operational	39	↔	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	7	2	**14**	**TREAT** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	**7**	10/09/2020
Funding	40	↔	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	7	2	**14**	**TREAT** 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	**7**	10/09/2020
Regulation	41	↔	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	7	2	**14**	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2)Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	10/09/2020
Governance	42	↔	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	5	2	**10**	**TREAT** 1) Succession planning processes are 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.	1	**5**	10/09/2020

London Borough of Hammersmith & Fulham

Report to: Pension Fund Sub-Committee

Date: 3 March 2021

Subject: Independent Investment Advisor

Report of: Phil Triggs, Director of Treasury and Pensions

Executive Summary

1.1 This paper provides the Pensions Sub-Committee with a summary of case for appointing an independent investment advisor to the Pension Fund Sub Committee:

Recommendations

1. The Pensions Sub-Committee is recommended to note the report with a view to formulating a decision on a selection/appointment process.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

- None

Legal Implications

- None

Contact Officers:

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6159
Email: tmpofu@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. Background

1.1. The Pensions Sub-Committee currently has a long-standing relationship with Deloitte as its fund investment consultant. This relationship is a crucial one that enables strategic level planning and support to the Pensions Sub-Committee in delivering the long-term funding objectives as set out in the Funding Strategy Statement and Investment Strategy Statement.

1.2. It is the view of officers that the appointment of an individual independent advisor would offer a further, enhanced level of best ideas, investment strategy direction and governance that would further improve the Pensions Sub-Committee's decision-making processes. It would further enhance the existing relationship with the fund investment consultant and fund actuary. Numerous other LGPS Funds use the services of an independent investment advisor.

1.3. An independent advisor will offer impartial professional advice which will offer challenge and scrutiny to the fund's investment consultant, fund officers, current and future investment managers and the London CIV (LCIV) asset pool.

1.4. Officers would recommend that any initial contract should run runs for five years on commencement.

2. Role Profile

2.1. An independent advisor to the fund would be expected to cover the following areas:

a. Work alongside other stakeholders to ensure an appropriate long-term strategic asset allocation that meets the pension fund's obligations and funding requirements.
b. Challenge and scrutinise proposals and reports from the fund's investment consultant and investment managers.
c. Contribute to the future fund manager selection processes, both within the London CIV and other appropriate external asset manager appointments.
d. Provide support to the Pensions Sub-Committee reference the overall investment process, rebalancing, or divesting from particular asset classes/investment managers.
e. Lead on smaller projects where it is more cost or time effective to use the advice of the independent advisor rather than the fund investment consultant.
f. Act as an important voice in the pension fund's approach to its commitment to being a responsible investor.

g. Support officers in other governance exercises such as global custodianship, transition management, investment fee structures, and pension fund governance in general.

3. Work Programme and Cost

3.1. The work programme for the proposed independent advisor is anticipated to be as follows:

a. Attend each Pensions Sub-Committee meeting, whether in person or remotely. Occasional attendance at Local Pension Board meetings may also be required, depending on the agenda.
b. Participation in member/officer training events.
c. Capacity to advise/assist on projects/report implementations, following recommendations approved by the Pensions Sub-Committee.
d. Expectation that each stakeholder will be able to contact the advisor at short notice.

3.2. The estimated annual cost of a qualified independent advisor is expected to be around £20,000. If the Fund appointed on a five-year contract, that would result in a total value of £100,000, under the OJEU level of circa £170,000.

4. Conclusion

4.1. Officers are of the view that the use of an experienced independent advisor could work well with the sub-committee in adding fresh thinking to governance and investment discussions, and acting as a devil's advocate against group think.

4.2 Of course, there is a case for keeping the arrangements as per the status quo, if it were the committee's view that having an independent advisor would not be a value add to the functions of the committee.

4.3 Officers can compile selection criteria and next steps if a positive decision is reached.

Agenda Item 13

London Borough of Hammersmith & Fulham

Report to: Pensions Sub Committee

Date: 3 March 2021

Subject: Leisure Development Fund: Asset Class Review

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

This paper and associated appendix provides the Sub-Committee with more detailed information on a niche alternative asset class in Leisure Development. This summary is provided by Darwin Alternatives, a leading asset manager in this field and with an established foothold in the LGPS.

The asset class is to be considered as a potential diversifier from mainstream asset classes in the next investment strategy review.

Recommendations

The Sub Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• Building shared prosperity	Being an outperforming investor means that as part of the Pension Fund's fiduciary duty, its investments should be able to assist in making a positive financial contribution, sharing prosperity and lessening the financial impact on council tax payers.

Financial Impact

The financial implications of these investments will be continually monitored to ensure that members' pensions are safeguarded.

Legal Implications

None

Contact Officer(s):

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Asset Class Review

1. Background

1.1. The Pensions Sub-Committee is kept up to date with the latest developments in the markets and receives training and updates on new asset classes.

1.2. The Fund's investment consultant, Deloitte, has indicated that a leisure development fund would be worthy of consideration by the Sub-Committee.

2. Investment Strategy

2.1. The benefits and risk of the strategy set out by Darwin are shown below.

Benefits

- Long terms stable cash flows with inflation-linked returns.
- Inefficient, fragmented market leaving room for consolidation.
- High barriers to entry for new assets due to competing demands for land uses such as new housing.
- The current COVID-19 pandemic and ongoing environmental trends should cause the demand for UK based "staycations" to continue to rise in the coming years.

Risks

- Once the initial consolidation of smaller operators has been completed, the current surge in growth may be difficult to replicate.
- The asset class is still relatively new and untested relative to other mainstream asset classes, with few asset managers in the market.
- Reputational risk – any incidents at any of the parks could fall back on the Fund.

3. Risk Management Implications

3.1. Risks are outlined in the report and attached Appendix 1.

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

Appendix 1: Asset Class Review – Darwin Alternatives

London Borough of Hammersmith & Fulham

Report to: Pensions Sub-Committee

Date: 3 March 2021

Subject: Pension Fund Business Plan

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

The purpose of this report is to present the 2021/22 business plan, which presents strategic medium-term objectives and a budget forecast for 2021/22.

Recommendations

The Sub-Committee is requested to:

1. comment on and approve the attached business plan, shown at Appendix 1.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

None

Legal Implications

None

Contact Officer(s):

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

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1. Background

1.1 The Myners Report to HM Treasury, compiled by Lord Myners and published in March 2001, recommended that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.

1.2 This is the first LBHF pension fund business plan presented to the Pensions Sub-Committee and sets out the short-term objectives and a financial forecast for 2021/22. It is attached at Appendix 1.

1.3 An outturn report will be presented to the Pensions Sub-Committee to update members on progress and present outcomes with an outturn cost summary.

List of Appendices:

Appendix 1: LBHF PF Business Plan
Annex 1: Investment Consultant Review

Appendix 1

London Borough of Hammersmith and Fulham Fund

Business Plan 2021/22

Introduction

The Myners Report to HM Treasury, published in March 2001, recommends that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.

Estimates are based on current investment allocations and expected expenses based on historic information and available forecasts. Investment allocations are subject to change, impacting management expenses.

Strategic medium-term objectives are grouped under the following headings:

- Administration and communication;
- Actuarial / funding;
- Pensions Sub-Committee;
- Local Pension Board;
- Risk management.

In order to meet objectives, a timetable of performance indicators has been agreed and an outturn report will be presented to the Pensions Sub-Committee to update members on progress.

2021/22 Forecast Expenditure

	Company Name (If Applicable)	2019/20 Actual £000	*2020/21 Estimate* £000*	*2021/22 Estimate* £'000
Administration				
Employees		-	40	260
Supplies and services		374	387	320
Other costs		3	5	5
		377	**432**	**585**
Governance and oversight				
Employees		446	463	170
Investment advisory services	Deloitte	68	100	125
Governance and compliance		134	160	160
External audit	Grant Thornton	25	27	30
Actuarial fees	Barnett Waddingham	79	95	95
Training		-	-	10
		752	**845**	**590**
Investment Management				
Management, Performance and Transaction fees				
	Legal & General	99	210	205
	LCIV Absolute Return	1,048	1,500	1,185
	LCIV Global Bond Fund	211	245	265
	LCIV Global Sustain Fund	0	520	865
	Partners Group	1,137	1175	1,175
	ASI Long Lease	259	260	265
	ASI MSPC	0	180	180
	Oak Hill Advisors	622	485	600
	Aviva	166	175	180
	Northern Trust	28	35	35
	Other	1,165	340	570
		4,735	**5,125**	**5523**
Total		**5,864**	**6,402**	**6,698**

*** Estimate is currently based on charges made as at PD 9 and approximate adjustments made**

Administration and Communication

The LBHF Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with secondary legislation.

The administration of the Fund has been undertaken by Surrey County Council since 2015. It was decided to terminate the delegation agreement from 31 January 2022, with services being provided by the Local Pension Partnership from 31 January 2022 onwards.

Objectives

1. Ensure the scheme is run in accordance with agreed service standards and in compliance with Regulations;
2. Deliver a high quality, cost effective pension administration service;
3. Collaborative working with outsourced parties;
4. Successful transition to in-house team following exit from Surrey County Council.

	Actions	**Timeline**	**Responsibility**	**Overseen by**
A	Annual review and publication of the Pensions Administration strategy	31/3/22	Eleanor Dennis	Dawn Aunger
B	Compliance and reporting of key service performance indicators (KPIs)	31/3/21	Eleanor Dennis	Dawn Aunger
C	Review and publication of communication policy	31/3/22	Eleanor Dennis	Dawn Aunger
D	Annual report and accounts published on website	1/12/21	Patrick Rowe	Matt Hopson
E	Freedom of information (FOI) requests responded to within statutory deadline	Ongoing	Patrick Rowe	Matt Hopson

Actuarial / Funding

The Fund is responsible for commissioning triennial actuarial valuations of the Pension Fund regarding the funding status and level of employers' contributions necessary to fully fund the Pension Fund. Actuarial services are currently subject to tender and will be awarded starting 1 April 2021 for five years.

Objectives:

1. Monitor the funding level of the Scheme, including a formal actuarial valuation every three years (next valuation as at 31 March 2022);
2. Monitor and reconcile contribution payments to the Scheme by the employers and scheme members;
3. Understand legislative changes which will impact on funding.

	Actions	**Timeline**	**Responsibility**	**Overseen by**
A	Provide employers with IAS19/FRS102 funding statements in line with employer year end.	March 21 July 21 August 21	Patrick Rowe	Matt Hopson
B	Funding level to be reported to Pensions Sub-Committee quarterly.	Quarterly	Patrick Rowe	Matt Hopson
C	Monitor and reconcile employer contributions remittances with the pension fund bank statement.	Monthly	Alastair Paton	Matt Hopson
D	Member training to cover actuarial funding issues.	Ongoing	Mathew Dawson	Phil Triggs
E	Funding strategy reviewed and updated	March 21	Matt Hopson/Phil Triggs	Pensions Sub-Committee

Pensions Sub-Committee

Investment allocation decisions are delegated to the Pensions Sub-Committee who oversees the management of the Fund's assets. The Pensions Sub-Committee appoints fund managers and advisors to assist in reviewing the overall strategic asset allocation, ensuring its suitability and the diversification of assets.

Objectives

1. Members should be equipped with the correct training and experience to make investment decisions;
2. Members should be provided with timely information on investment performance against agreed benchmarks;
3. Meetings should be run efficiently to ensure decisions are made clearly and effectively;
4. Suitability and diversification of the overall investment strategy and strategic asset allocation of the pension fund should be ensured, reporting to Council as necessary.

	Actions	**Timeline**	**Responsibility**	**Overseen by**
A	Train and develop all members to enable them to perform their duties effectively.	Ongoing	Mathew Dawson	Phil Triggs
B	Committee papers to be issued to members five working days prior to meeting, and minutes to be circulated in a timely manner.	Quarterly	David Abbot	Rhian Davies
C	Committee meetings should include the investment advisor as appropriate	Ongoing	Patrick Rowe	Matt Hopson
D	Manager monitoring reports to be presented to Pensions Sub-Committee members.	Quarterly	Patrick Rowe	Matt Hopson
E	Pensions Sub Committee to receive quarterly investment monitoring reports.	Quarterly	Patrick Rowe	Matt Hopson
F	Review and implement asset allocation, rebalancing where necessary.	Quarterly	Phil Triggs	Pensions Sub-Committee
G	Review, implement and publish the Investment Strategy Statement.	Annually	Phil Triggs	Pensions Sub-Committee
H	Respond to all government consultations and report to the Pensions Sub-Committee as necessary.	As appropriate	Phil Triggs	Pensions Sub-Committee

Local Pension Board

Under Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the LGPS Regulations 2013, a Local Pension Board must be established. The Local Pension Board meets three times a year and assists in the governance and administration of the Fund.

Objectives

1. Ensure the Local Pension Board is constituted and functions within the Regulations;
2. Help facilitate the effective operation of the Local Pension Board.

	Actions	**Timeline**	**Responsibility**	**Overseen by**
A	Provide Local Pension Board members with access to training offered to Pensions Sub-Committee members.	Ongoing	Mathew Dawson	Phil Triggs
B	Comply with any requests from the Local Pension Board with regard to any aspect of the Scheme Manager function.	Ongoing	Phil Triggs	Pensions Sub-Committee
C	Pass on recommendations made by the Pensions Sub-Committee to the Local Pension Board within a reasonable period of time.	Ongoing	Phil Triggs	Pensions Sub-Committee

Risk Management

In line with the best practice and the Pension Regulator's (tPR's) Code of Practice, the Pension Fund maintains a risk register to identify and monitor short and long-term risks to the Fund.

Investment assets are managed by external investment managers, with segregated assets held by an independent global custodian.

Objectives

1. Properly record financial transactions and produce an annual report and accounts within six months of the year end.
2. Monitor and report fees against an agreed budget.
3. Assess the risk associated with the management of the Scheme.

	Actions	Timeline	Responsibility	Overseen by
A	Monitor Pension Fund expenses for the year against the agreed forecast.	March 21	Patrick Rowe	Matt Hopson
B	Produce an Annual Statement of Accounts and achieve an unqualified audit.	Sep 21/22	Patrick Rowe	Matt Hopson
C	Ensure ongoing risk assessments of the management of the Fund.	Ongoing	Patrick Rowe	Matt Hopson
D	Review MiFID documentation to ensure the Fund retains its professional investor status.	Ongoing	Patrick Rowe	Matt Hopson
E	Obtain independent internal controls assurance reports for investment managers and fund global custodian.	March 21	Patrick Rowe	Matt Hopson
F	Approve the Risk Register	Quarterly	Phil Triggs	Pension Board

Further Information

As per the requirements of the Competition Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the investment advisor, Deloitte, and approved by the Pensions Sub-Committee in November 2019.

In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years, or when there has been a material change in the investment approach. Annex 1 details these objectives and assessed performance as at November 2020.

Timetable

LOCAL PENSION BOARD	
Meeting Date	Report Deadline
9th June 2021	31 May 2021
9th Feb 2022	31 Jan 2022

Pensions Sub-Committee	
Meeting Date	Report Deadline
28th June 2021	17 June 2021
20th Sept 2021	9 Sep 2021
23rd Nov 2021	11 Nov 2021
28th Feb 2022	17 Feb 2022

Annex 1

Background

As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the Pension Fund investment consultant, Deloitte, and approved by Committee on 26 November 2019.

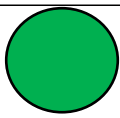
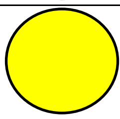
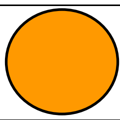
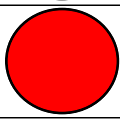
After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing several recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

The Pensions Regulator (tPR) welcomed the review by the CMA and produced guidance on setting aims and objectives. The regulator’s view is that it is good practice for pension funds, including the LGPS, to be setting aims and objectives for investment consultants and advisors in order to achieve better outcomes and manage areas of underperformance.

Performance Against Aims and Objectives

In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every 3 years or when there has been a material change in investment approach.

In the tables below are the agreed objectives and aims for the investment consultant, Deloitte, against which the consultant performance has been reviewed. Each objective has been assessed individually and assigned a rating as follows:

Performance Rating	**Key**
Excellent	
Good	
Satisfactory	
Unsatisfactory	
Not able to assess	**N/A**

1. Assistance in achieving the Fund's objectives

Reference	Objectives	Performance Rating	Comments
a)	Any proposed changes in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		Review of investment strategy during 2020, and manager selections which reflect the new asset allocation.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The actuarial valuation taken into consideration when agreeing the revised asset allocation.
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		The investment consultant has the required due diligence processes in place to reduce risks.
d)	The investment consultant has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in a cost-efficient manner.		The Fund cashflow management is run in-house, however the consultant may suggest appropriate income strategies to match the shortfall in cash.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		The consultant has drawn up shortlists and arranged interviews for the manager selections during the year.
f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund's assets.		The investment consultant and the Pension Fund have a contract in place.

2. Governance and Costs			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Assist the Committee to implement the Fund's investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		The investment consultant produces a quarterly investment report which now includes fees benchmarking.
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		These factors were taken into consideration during the 2020 investment strategy review.
c)	Where the investment consultant has provided support on implementation activity, including activity required to meet Fund benefits, these transactions have been carried out in a cost-effective manner.	**N/A**	The fund transitions are undertaken by the in-house investment team.
d)	The investment consultant has demonstrated an understanding and appreciation of governance requirements, in particular, the investment consultant has avoided complexity where simpler, more cost-effective solutions may be available.		Manager fees taken into consideration during the manager shortlisting and selection process.
e)	The investment consultant has ensured that investments are in accordance with the current regulatory and compliance requirements relevant for the LGPS.		The investment consultant has the required due diligence processes in place to ensure regulatory and compliance requirements are met.
f)	The investment consultant has taken into account the necessity for all investment funds within the portfolio, with few exceptions, to utilise one of the pools.		The consultant includes the asset pool products within the manager shortlisting and selection process.

3. Proactivity/Keeping informed			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Advise the Committee on appropriate new investment opportunities.		The consultant provides training to the Committee on new asset classes.
b)	Recognition of the dynamism of investment markets, recognising opportunities to crystallise gains or emerging risks which require immediate attention.		The investment consultant produces a quarterly report, rating the managers and advising if they believe the mandate is no longer rated favourably.
c)	The investment consultant has kept the Committee up to date with regulatory developments and additional compliance requirements.	**N/A**	The Committee is updated by the in-house investment team on regulatory matters.
d)	The investment consultant has highlighted areas that the Committee may wish to focus on in the future.		The investment consultant suggests asset classes which the Committee may wish to explore further.
e)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant advises on all investment matters as required by the Pension Fund Officers and Committee.

4. Monitoring			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant produces a quarterly report, providing narrative on investment manager performance.
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		The consultant meets with Committee members quarterly and advises of market developments.
c)	Monitoring is integrated with funding and risk.		The risks within each mandate are monitored on an ongoing basis and the funding level is taken into consideration.
d)	Particular focus on the continued merits of active management. The investment consultant considers the value added by active management on a net of fees basis.		The consultant provides a quarterly report which details asset manager performance net of fees.

5. Delivery			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		There is a good working relationship between the investment consultant and Officers/Committee members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		The reports and training matters are clear, easily understandable and concise to meet the needs of the Committee.
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		Training provided by the consultant to meet any needs of the Committee.
d)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are usually received by the Pension Fund Officers sufficiently in advance of the

			Committee meetings. On occasion some reports may require slight revisions to include more detail.
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		The consultant sends regular invoices with an itemised breakdown. However, cost of works is not always clear until after the invoice has been delivered.
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		The consultant works with the custodian to calculate the quarterly fund performance and liaises with the actuary on the funding level.

As shown in the performance review above the consultant has performed well over the past year, meeting the majority of the aims and objectives to an excellent standard. The Pension Fund remains pleased with the work produced by the consultant and aims to continue building on the good working relationship that has already been established.