

Pensions Board

Agenda

Wednesday 9 February 2022

6.30 pm

Online - Virtual Meeting

This meeting is being held as an informal remote meeting Watch live on YouTube:

<https://youtu.be/1qRFwgCON7Q>

MEMBERSHIP

Employer Representatives
Councillor Rory Vaughan (Chair) Councillor Bora Kwon
Scheme Member Representatives
Neil Newton William O'Connell Khadija Sekhon

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Date Issued: 01 February 2022

Pensions Board

Agenda

9 February 2022

<u>Item</u>		<u>Pages</u>
1.	APOLOGIES FOR ABSENCE	
2.	DECLARATIONS OF INTEREST	
	<p>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.</p> <p>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.</p> <p>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.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
3.	MINUTES OF THE PREVIOUS MEETING	5 - 9
	<p>To note the minutes of the meeting held on 9th June 2021. As this is an informal meeting minutes will be formally agreed at the next meeting.</p>	
4.	DRAFT MINUTES OF THE PREVIOUS PENSION FUND COMMITTEES (FOR INFORMATION)	10 - 35
	<p>Draft minutes of the Pension Fund Sub-Committee meeting held on 21st July, 20th September, 25th October and 23rd November 2021 - for information.</p> <p>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.</p> <p>The appendix has been circulated to Committee members only.</p>	

Any discussion on the contents of an exempt appendix will require the 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. UPDATE ON THE LGPS PENSIONS ADMINISTRATION SERVICE** 36 - 40

This report follows up on update reports presented previously to the Pensions Board on the actions agreed by the Pension Fund Subcommittee on 3 February 2021 to appoint Local Pension Partnerships Administration to provide the Pension Administration service from 1 February 2022.
- 6. PENSION ADMINISTRATION KPI PERFORMANCE** 41 - 44

This paper sets out a summary of the performance of Surrey County Council (SCC) in providing a pension administration service to the Fund.
- 7. QUARTERLY UPDATE PACK** 45 - 108

This paper provides the Pensions Board with a summary of the Pension Fund's overall performance for the quarter ended 30 September 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 Committee members only. Any discussion on the contents of an exempt appendix will require the 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.
- 8. GOVERNANCE LOG OF RECOMMENDATIONS** 109 - 111

This paper provides the Pensions Board with a progress log of the recommendations that came from the governance review, and results achieved to date on them.
- 9. PENSION FUND ANNUAL REPORT 2020/21** 112 - 252

This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2021.
- 10. 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.

Agenda Item 3

London Borough of Hammersmith & Fulham

Pensions Board Minutes



Wednesday 9 June 2021

PRESENT

Committee members: Councillors Rory Vaughan and Bora Kwon

Co-opted members: William O'Connell

Officers: Dawn Aunger (Assistant Director Transformation, Talent and Inclusion), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager), Mathew Dawson (Treasury and Pensions), Phil Triggs (Director of Treasury and Pensions), Patrick Rowe (Pension Fund Manager)

Note: This informal meeting was held remotely. A recording of the meeting can be found at: <https://youtu.be/qIPnRdtwgxk>

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Rhian Davies.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on the 10th February 2021 were noted. As this was an informal meeting, minutes will be formally agreed at the next meeting.

4. DRAFT MINUTES OF THE PREVIOUS PENSION FUND COMMITTEES

The draft minutes of the Pension Fund Sub-Committee meetings held on the 3rd February and 3rd March 2021 were noted.

5. UPDATE ON THE LGPS PENSIONS ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the following key points.

- Significant progress had been made since the last update provided to the Pensions Board in November 2020.

- Officers were working in collaboration with Surrey County Council (SCC) and Local Pensions Partnership Administration (LPPA) to mobilise the project. The Council was on track to go live with LPPA on the 1st February 2022.
- An update was provided on the key project risks and the progress made since November 2020 on the key project workstreams.
- The recruitment for the retained team was almost complete. With the new team members joining in the next few months to enhance the team's resilience and provide support to the Pensions Manager to deliver on the transfer and setting up of the new service.
- The transition of all the retained functions previously managed by the Royal Borough of Kensington and Chelsea (RBKC) was completed and the in-house team delivering a good retained service.
- The Pensions Manager had progressed discussions with Aquila Heywood, regarding a further one-year extension (as allowed by the original contract), which permitted the Altair software to continue to be used for the remainder of the SCC pension administration delegation agreement term.
- Following a procurement exercise an external company (ITM) had been appointed to carry out the work required on backlog cases.
- The fee discussions with SCC had been concluded and the revised fee for the service from 1 September 2020 has also been agreed in line with the Council's expectations.
- Having agreed a detailed plan for the transfer of functions from RBKC to the Council's new retained team, this plan was successfully executed, including training of staff, transfer of data and live caseload.
- The Pensions Taskforce continued to provide the day to day oversight for the project, reporting on a regular basis to the Chief Executive on progress.
- Update reports on progress against the plan would also be provided to Members.

Councillor Bora Kwon queried if officers anticipated any delays to the implementation of the new service due to Covid-19. In response David Hughes explained that any minor concerns had successfully been dealt with and there was good communication taking place between all parties at key milestones during the project.

The Chair noted that it was good to hear that the project was on track. He asked when the service levels would be agreed and formalised with LPPA. David Hughes explained that the Council was in the process of formally agreeing the delegation agreement which included the Key Performance indicators (KPI's) with LPPA.

The Chair asked for further clarification to be provided on the additional costs arising from the exit plan with SCC. In response David Hughes outlined the details of the costs relating to the exit process, noting that these were monitored on a monthly basis and would be met by the Pension Fund. Final approval for any additional costs would be agreed by the Director of Resources.

Members noted this report.

6. PENSION ADMINISTRATION PERFORMANCE UPDATE

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the performance of SCC in providing a pension administration service to the Fund. It was noted that the KPI's for last quarter (January to April 2021) were still below the desired level required from the Council's administrators. However, improvements had been made in key areas such as deaths and retirement.

The Chair queried what measures were in place to ensure that SCC continued to meet their performance targets. In response Eleanor Dennis explained that the Council continued to work with SCC to understand the activity trends and challenge poor performance. Despite the understanding that the Fund was choosing to exit from SCC in February 2022, in addition to other Funds exiting their services, SCC remained committed to continue to process as many cases as possible efficiently. SCC were also recruiting to help maintain delivery. In addition, regular meetings were held with SCC to work collaboratively with the Council in the best interests of the Pension Fund, it's members and beneficiaries.

Members noted this report.

7. INDEPENDENT REVIEW OF THE GOVERNANCE ARRANGEMENTS FOR THE PENSION FUND

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that 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 Council's Pension Fund. An experienced LGPS practitioner was appointed, John Raisin, ex S151 officer of LB Waltham Forest. John completed his governance report in November 2021. The report summarised the suggested way forward on each of the 32 recommendations as an outcome of the governance review.

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

William O'Connell, Co-opted Member referring to recommendation 26 asked when the Pension Fund Committee and the Pensions Board would receive a report from officers on the requirements of The Pension Regulators and whether it would be useful to receive this prior to the implementation of the new pension administration service. In response Phil Triggs explained that managing the exit from SCC and the onboarding with LPPA and associated activities remained a priority for officers at this stage. Officers would report back to the Pension Fund Committee and the Pensions Board on this recommendation by early 2022.

In response to a question asked by Members Phil Triggs confirmed that the timelines for each of the recommendations had been assessed by Council officers.

William OConnell, Co-opted Member asked for further clarification to be provided on recommendation 28. In response Phil Triggs explained that the Fund Actuary was fully conversant for the need of excellent data quality and the transition from SCC to LPPA. In addition, a stock take of data quality would be carried out as the data left SCC and arrived at LPPA to measure the accuracy of the data quality.

The Chair referring to recommendation 8, queried when a training needs assessment would be carried out in respect of all Pension Board Members. In response Mathew Dawson noted that a knowledge and skills assessment document, including administration training would be circulated to all members to establish their training needs. Phil Triggs noted that a report updating Members on training would be presented at the next Pension Fund Committee.

The Chair noted that it would be useful to receive a log, notifying Members of the status of each of the 32 recommendations at the next Pension Board meeting.

Action: Phil Triggs

Members noted this report.

8. PENSION FUND QUARTERLY UPDATE PACK

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the overall performance for the quarter ended 31st March 2021, cashflow update and forecast and assessment of risks and actions taken to mitigate these.

Members requested that the Environmental, Social and Governance (ESG) dashboard to be simplified and distributed to Pension Scheme Members as part of the communications update to promote the important work that was being undertaken by the Council. In response Phil Triggs noted that this could be circulated alongside the newsletter sent by the Council.

Action: Phil Triggs

In response to a question asked by Members relating to the risk register, Phil Triggs explained that the risks were due to be reassessed by officers and an updated version would be presented at the next pension Fund Committee.

Members noted this report.

9. PENSION FUND BUSINESS PLAN

Patrick Rowe (Pension Fund Manager) presented the report and gave a summary of the key points. The purpose of this report was to present the 2021/22 business plan, which outlined the strategic medium-term objectives and a budget forecast for

2021/22. An outturn report would be presented to the Pension Fund Committee to update members on progress and present outcomes with an outturn cost summary.

Members thanked officers for providing an informative report, noting that the objectives and actions were broken down well.

Members noted this report.

Meeting started: 6:30pm
Meeting ended: 8:00pm

Chair

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London Borough of Hammersmith & Fulham

Pension Fund Committee Minutes

Wednesday 21 July 2021

PRESENT

Note: This was held as a hybrid meeting, with some members and officers attending in person and some joining online. A recording of the meeting can be found at: <https://youtu.be/8-vqfCQ5ado>

Councillors in attendance: Councillors Iain Cassidy (Chair), Rowan Ree, Helen Rowbottom and Matt Thorley

Councillors joined online: Councillor Jonathan Caleb-Landy

Officer in attendance: Phil Triggs (Director of Treasury and Pensions)

Co-opted members joined online: Michael Adam and Peter Parkin

Officers joined online: Dawn Aunger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager), Matthew Hopson (Strategic Investment Manager), Patrick Rowe (Corporate Finance), Emily Hill (Director of Finance)

External joined online: Kevin Humpherson and Andrew Bullman (Deloitte)

1. APPOINTMENT OF VICE CHAIR

RESOLVED:

That Councillor Matt Thorley was unanimously agreed as Vice Chair of the Committee for the municipal year 2021-22.

2. APPOINTMENT OF CO-OPTED MEMBERS

RESOLVED:

That Councillor Michael Adam and Peter Parkin were unanimously agreed as co-opted members of the Committee for the municipal year 2021-22.

3. APOLOGIES FOR ABSENCE

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

Apologies for absence were received from Rhian Davies and Councillor Guy Vincent.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on the 3rd March 2021 were approved

6. DRAFT MINUTES OF THE PREVIOUS PENSION BOARD MEETINGS

RESOLVED:

That the minutes of the meetings held on the 13th January 2020, 19th November 2020 and the 10th February 2021 were noted.

7. UPDATE ON THE PENSION ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. He noted that Officers were working in collaboration with Surrey County Council (SCC) and Local Pensions Partnership Administration (LPPA) to mobilise the project. The Council was on track to go live with LPPA on the 1st February 2022.

The Chair queried if Officers anticipated any delays to the implementation of the new service. In response David Hughes explained that any minor concerns had successfully been dealt with and there was good communication taking place between all parties at key milestones during the project.

Councillor Rowan Ree queried whether the Council was meeting its regulatory obligations during this period. In response David Hughes noted that Officers were confident that the work carried out with SCC was progressing well. It was also important to note that SCC were seeking to perform as well as possible during this transition period.

Peter Parkin (Co-opted Member) queried if challenges relating to members receiving their pensions on time were also being addressed. David Hughes explained that the Council was working in collaboration with SCC to ensure that ongoing performance during the transition period was being monitored and maintained.

RESOLVED:

That the Pension Fund Committee noted the contents of this report and that further updates would be provided over the project duration.

8. PENSION ADMINISTRATION PERFORMANCE UPDATE

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the performance for SCC in providing a pension administration service to the Fund.

In response to a question asked by the Chair, Eleanor Dennis noted that SCC had taken a proactive approach in delivering a better service to improve specific areas of their overall performance.

Referring to the Key Performance Indicator (KPI) report on page 43 of the agenda pack Councillor Jonathan Caleb-Landy asked if Officers had any particular concerns around the score for the dependants' benefits. Eleanor Dennis felt that this was likely to improve in June and July 2021. It was noted that some changes to the processes had led the reporting to appear inaccurate. This was mainly due to time delays with receiving the most up to date information and responses from the relevant dependents.

Michael Adam (Co-opted Member) noted that he was impressed to hear that the performance for SCC was improving, even whilst the Council was exiting the contract with SCC. He asked whether Officers felt that this area may have been under managed by the Council historically due to insufficient resources. He suggested that going forward it was vital to recognise the importance of continuously monitoring the performance on a quarterly basis to ensure that the highest quality of service was being provided by LPPA. In response Eleanor Dennis outlined the historical challenges faced by the Council which may have led to an unsatisfactory performance from SCC. However, Officers would work closely with LPPA to achieve an improved service by regular monitoring and by ensuring that they were held accountable for their responsibilities.

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

9. PENSION FUND DATA QUALITY

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the data quality issues for the Council and the mitigations the Pension Manger was taking on behalf of the Fund to improve these.

The Chair queried whether ITM had identified any commonalities amongst the records for the 690 cases with gone away addresses. In response Eleanor Dennis noted that ITM were not currently looking at any commonalities. However, they had carried out mortality screening and address tracing on these with good results. Up to date addresses had been found for 155 cases and none of the members had deceased.

Councillor Helen Rowbottom queried whether the portal was easily accessible to members so that they could proactively update their own personal information. Eleanor Dennis noted that a member self-service (electronic

portal) was available to members, where they were able to view their pension and update their personal information accordingly. However, the take up on members using the electronic portal was poor, therefore further work would be carried out in the future to improve member engagement on the portal.

Peter Parkin (Co-opted member) queried how communication would be made more effective to increase member engagement. Eleanor Dennis outlined the steps that would be taken by working closely with LPPA to improve the communication strategy.

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

10. THE PENSIONS REGULATOR SINGLE CODE CONSULTATION

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. He noted that the Pensions Regulator (TPR) had drafted a new single code of practice (COP) for all UK pension schemes. The purpose of this single code was to merge the ten existing COPs into one single document, which should be easier to navigate, understand and keep up to date.

Michael Adam (Co-opted Member) asked whether the implementation of the COP would impact the way the Fund was administered. In response Phil Triggs explained that if any changes were to arise as a result of the implementation, the Ministry of Housing Communities & Local Government would be required to issue new regulations to cover those specific areas. It was noted that an updated TPR document would be produced following the consultation process and when a final code was published.

Councillor Rowan Ree asked for further clarification to be provided on the consequences for the schemes that did not meet the expectations of COP. In response Phil Triggs provided an overview of the consequences, noting that generally all schemes would need to legally comply to any statutory guidance, as well as complying to the TPR Code. Clear and specific reasons would need to be outlined to the TPR if a Fund chose not to comply with the best practice of the regulator.

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

11. GOVERNANCE REVIEW LOG OF RECOMMENDATIONS

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. This paper provided a progress log of the 32 recommendations that came out of the independent review of the governance arrangement for the Pension Fund and the results achieved to date on them.

Councillor Jonathan Caleb-Landy asked for further clarification to be provided on a final date for when all the recommendations would be completed by. In

response Phil Triggs noted that Officers aimed to complete actions on all of the recommendations by the 31st March 2022.

Referring to Appendix 1 (log of recommendations), Councillor Rowan Ree raised some concerns regarding some of the recommendations that had been marked for completion as a matter of urgency but had not yet immediately been addressed. In response Phil Triggs explained that he acknowledged the urgency of completing these recommendations. However, managing the exit from SCC and the onboarding with LPPA and associated activities remained a key priority and the most urgent tasks for completion at this stage. In addition, recommendation 27 would be dealt with as a priority as soon as the implementation to LPPA had been completed.

Eleanor Dennis (Pensions Manager) provided reassurances that the regulatory compliances for the Fund were also being met on a day to day basis, whilst managing the exit from SCC.

Councillor Helen Rowbottom asked for further clarification to be provided on recommendation 24 and what the communication plan would include. Phil Triggs noted that this recommendation was still outstanding and covered the majority of the communications between the administering authority and its beneficiaries. Eleanor Dennis (Pensions Manager) noted that a breakdown and completion timelines for urgent recommendations, would be brought to the next Pension Fund meeting for review,

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

12. PENSION FUND DRAFT ACCOUNTS 2020/21

Matthew Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that the draft Pension Fund Statement of Accounts 2020/21 provided members with an opportunity to review and comment on any matter within the financial statements.

The Chair noted that the costs for management and investment management expenses had risen and asked for further clarification to be provided on these increases. In response Matthew Hopson outlined the reasons why the administrative, oversight and governance costs, including the management fees had gone up in 2021.

Peter Parkin (Co-opted Member) asked for further information to be provided on the £900,000 transaction costs and what these included. Matthew Hopson provided a summary of how these costs were incurred, noting that the largest transaction cost was from the Ruffer Investment Fund due to the nature of its asset investment strategy.

Michael Adam (Co-opted Member) requested that a note be included to the draft accounts which explained the difference for the change in the management fees.

Action: Matthew Hopson

Phil Triggs (Director of Treasury and Pensions) thanked the newly appointed Pension Fund Manager, Patrick Rowe and Matthew Hopson for their hard work in preparing and compiling the draft accounts.

RESOLVED:

That the Pension Fund Committee noted the Pension Fund Statement of Accounts for 2020/21.

13. GAD REVIEW UPDATE

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The Pension Fund received green flags across the spectrum on the Government Actuary's Department's (GAD) various different financial tests. This reflects the Fund was in a relatively strong position.

The Chair requested that further clarification be provided for the purpose of the new Committee Members on the definition of a funding level. Phil Triggs explained that a funding level was the measurement of the Fund's ability to pay for its future pension outflows. In order to measure this liability, future estimated pensions payments are discounted to a net present value as at today and measured against the asset valuation to arrive at a funding level percentage. The funding level of the Pension Fund, as per the triennial valuation, had increased from 88% as at 31 March 2016 to 97% as at 31 March 2019. The main driver for this improvement was significant investment returns above what had been assumed in the 2016 valuation. The estimated funding level for the Fund based on the 2019 GAD assessment was 100.5%, which put the Fund in a surplus position. Once the Council (as an employer body) was at 100%, consideration could be given to cease paying deficit contributions.

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

14. BREACHES POLICY

Phil Triggs (Director of Treasury and Pensions) introduced this item.

Matthew Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that as part of the independent review of the Pension Fund, a recommendation was made to compile and approve a Breaches of Law policy and guidance document. The Pensions Regulator Code of Practice No. 14 sets out guidance on the breaches of the law, including how to identify a breach, how to classify a breach, and thus how to report the breach.

Note: only members in attendance participated and voted on this item.

RESOLVED:

That the Pension Fund committee approved the Breaches of the Law policy and guidance document.

15. QUARTERLY PERFORMANCE UPDATE

Matthew Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that the Fund outperformed its benchmark net of fees by delivering a return of 2.9% (benchmark returned 1.4%) over the quarter to 31 March 2021, and the estimated funding level was 95.0% as at 31 March 2021. The highlights over the quarter to 31 March 2021 came from the performance of the LCIV Absolute Return Fund and Oak Hill Advisors, who both outperformed their 'cash plus' benchmark.

Kevin Humpherson (Deloitte) provided an update on the developments for the two investment managers, these included Partners Group Multi Asset Credit and Aviva (Infrastructure Fund).

Andrew Bullman (Deloitte) gave a summary of the Pension Fund's performance for the quarter ended 30th June 2021. It was noted that the Fund had a second successive quarter over the year of 2021 with a positive performance for the Fund of 4.2%. This was broadly in line with the weighted benchmark. The performance was driven mainly by the Fund's equity allocation.

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

16. INVESTMENT STRATEGY UPDATE

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The two investment allocations to Alpha Real Capital and Man Group had been successfully implemented, with all due diligence completed, paperwork signed, and drawdowns commenced. However, the required improvements to the Henley fund that members had been seeking had not been achieved by the fund closing deadline. As such, Officers had not committed to the investment.

The paper provided an Appendix with more detailed information on a niche alternative asset class in Leisure Development, run by Darwin Alternatives, a leading asset manager in this field and with an established foothold in the LGPS.

Kevin Humpherson (Deloitte) provided an update on the Fund's latest investment strategy, including the decisions taken at the last Pension Fund Committee meeting and the latest investment allocation following on from the decisions taken and latest updates.

Councillor Helen Rowbottom queried how the Committee came to its decision for all three investment allocations. In response Phil Triggs outlined the key reasons, noting that the Fund's strategy was to achieve a diversified portfolio across asset classes. This provided protection in the event of market volatility.

The Council was also looking to invest in assets to protect the Fund from future CPI inflation pressures by investing in real assets.

RESLOVED:

That the Pension Fund Committee:

- Noted the strategy update.
- Agreed to invite Darwin to the next committee meeting to present their leisure development fund offering.

17. SECTION 113 AGREEMENT REVIEW

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The agreement for shared Treasury and Pension services between The London Borough of Hammersmith and Fulham, Westminster City Council, and the Royal Borough of Kensington and Chelsea commenced in February 2012, and the Council commissioned an independent consultant to review this agreement in August 2020. The scope of this review covered a range of areas, with particular focus on team performance, KPIs, development of the performance management, and cost recharging arrangements.

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

18. ACTUARIAL SERVICE PROCUREMENT

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. Members discussed the report.

Note: only members in attendance participated and voted on this item.

RESOLVED:

That the Pension Fund Committee:

- Ratified the award of the contract to Hymans Robertson LLP for a period of three years with the option to extend for a further two years. The estimated contract price for the 5-year period was £177,000.
- Delegated authority to the Director of Finance in conjunction with the Assistant Director, Legal Services and Chair of the Committee to finalise the contractual provisions in respect of the decision above.

19. EXEMPT DISCUSSION

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: 19:00pm
Meeting ended: 21:20pm

Chair

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Attending Proper Officer (David Abbott, Head of Governance)

Pension Fund Committee Minutes

Monday 20 September 2021

PRESENT

Note: This was held as a hybrid meeting, with some members and officers attending in person and some joining online. A recording of the meeting can be found at: <https://youtu.be/GCq-UNBHuEQ>

Councillors in attendance: Councillors Iain Cassidy (Chair), Rowan Ree, Guy Vincent and Matt Thorley

Councillors joined remotely: Councillor Jonathan Caleb-Landy and Helen Rowbottom

Officers in attendance: Phil Triggs (Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager), Patrick Rowe (Pension Fund Manager)

Co-opted members joined remotely: Michael Adam and Peter Parkin

Officers joined remotely: David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager), Emily Hill (Director of Finance) Rhian Davies (Director of Resources)

External in attendance: Kevin Humpherson (Deloitte), Anthony Esse and James Penney (Darwin)

1. **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the meeting held on the 21st July 2021 were approved.

4. DRAFT MINUTES OF THE PREVIOUS PENSION BOARD MEETING

RESOLVED:

That the minutes of the meetings held on the 9th June 2021 were noted.

5. MANAGER APPOINTMENT: LEISURE DEVELOPMENT FUND

Matthew Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that a presentation would be provided by Darwin Alternatives (Darwin), a leading asset manager in this field, and with an established foothold in the Local Government Pension Scheme with a view to making an investment allocation.

Anthony Esse and James Penney (Darwin) gave a presentation and noted the following key points, relating to the Darwin Leisure Development Fund:

- Invested in UK holiday parks, particularly consolidating fragmented smaller operators and improving the offering to generate greater returns.
- Focused on income rather than capital growth as a driver of return.
- Utilised modest gearing to help finance acquisitions and redevelopment.
- Committed to ensuring that it focused on Environmental, Social and Governance (ESG) factors and working towards the portfolio achieving net zero emissions by 2050.
- Provided a diversified investment opportunity with low downside risk but substantial upside potential.
- There was strong focus on operating the portfolio in a sustainable and responsible manner.
- The benefits of the Leisure Development Fund's strategy were also outlined.
- Darwin had developments in national parks across the Peak District and Lake District. A proposal for a signature site was also being considered at Blenheim Palace in the near future.

Councillor Jonathan Caleb-Landy enquired how Darwin protected the biodiversity of the local area where the developments took place. In response Anthony Esse (Darwin) explained that the Leisure Development Fund was working towards achieving net zero emissions by 2050 and had put in place a series of environmental aims and targets for the Darwin Escapes holiday parks to help achieve this goal. This included achieving a biodiversity net gain when undertaking any development work. The Fund was also actively working to reduce emissions, waste and energy use where applicable on all sites.

Councillor Jonathan Caleb-Landy asked what controls were put in place to ensure that the developments were progressing on schedule and building costs were limited as a result of the Covid-19 pandemic. In response Anthony Esse (Darwin) provided a summary of the measures that were put in place to avoid potential delays and additional costs for new developments, noting that the majority of their materials, including the food and beverage producers were locally sourced.

Michael Adam (Co-opted Member) asked for further clarification to be provided on the barriers to entry into the market for this particular asset class. In response James Penney (Darwin) explained that Darwin were the only large-scale asset manager who operated in this asset class and were the first movers bringing this strategy to mainstream investors. He outlined the key barriers to entry, noting that these were mainly around planning permission and land. However, all of Darwin's portfolio locations were situated in areas of outstanding natural beauty. There were high barriers to entry for new assets due to competing demands for land use. In addition, this asset class provided a different approach to investment in comparison to its competitors due to long term stable cash flows with inflation-linked returns.

In response to a question asked by Councillor Guy Vincent, Darwin confirmed that the Leisure Development Fund had no issues regarding the deferral of redemptions as a result of the Covid-19 pandemic. The vast majority of the capital was locked in for a minimum of 10 years at the request of the investors. Since the parks had reopened, (as a result of Covid-19 restrictions) the Leisure Development Fund had made a strong recovery.

Kevin Humpherson (Deloitte), enquired what proportion of income did Darwin receive from each revenue stream. In response James Penney (Darwin) provided a breakdown of the proportion of income received for the Leisure Development Fund, noting that the majority of parks within this Fund were holiday rentals.

Councillor Rowan Ree asked a question in relation to the risks associated around applying for planning permission for the sites within Darwin Escapes. In response James Penney (Darwin) explained that all the greenfield sites would only be purchased with a planning deal already in place to eliminate any risks.

Councillor Rowan Ree asked how Darwin's ESG targets work in line with the Council's commitment to tackle climate change and cut CO2 emissions to net zero by 2030. In response Matthew Hopson (Strategic Investment Manager), advised that the Fund's carbon footprint was continuously monitored and the strategy for managing this would be adapted as the investment strategy evolved. Where individual managers were unable to reach a net zero position their negative impacts would look to be offset elsewhere.

Phil Triggs (Director of Treasury and Pensions) asked a series of questions in relation to the Leisure Development Fund. In response James Penney (Darwin) provided further clarification on the minimum lock in period and the terms set out for voting within unit classes in the event of a private equity buy out.

In response to a question asked by Councillor Matt Thorley, James Penney (Darwin) provided clarification on the legal ownership for the development at Blenheim Palace. It was noted that a 50-year lease was obtained for this site. The planning arrangements and the controls for the land were also outlined.

The Chair enquired whether it was likely that people would still holiday in the UK next year as the Covid-19 restrictions eased. In response, Darwin explained that their main market was short breaks, and the occupancy rates across most of their sites were high all year around.

Members noted that the following information was required by the Committee before a decision could be reached:

- Financial statements for the previous three years following the 30 September 2021 closedown.
- Clarification on the occupancy rates on pre and post the Covid-19 pandemic.
- Confirmation on fund fees and charges.

RESOLVED:

That the Pension Fund Committee agreed to defer the decision to approve a 2.5% allocation of Pension Fund assets to the Darwin Leisure Development Fund until the next meeting.

6. LOG OF RECOMMENDATIONS UPDATE

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. This paper provided a progress log of the 32 recommendations that came out of the independent review of the governance arrangement for the Pension Fund and the results achieved to date on them. The log showed that good progress had been made, with 9 recommendations implemented, and 12 commenced.

Councillor Rowan Ree enquired how often the log of recommendations was updated. In response Phil Triggs (Director of Treasury and Pensions) confirmed that this was refreshed regularly between Committee meetings. He also provided further clarification on recommendations 5, 30 and 31.

RESOLVED:

That the Pension Fund Committee noted the report.

7. QUARTERLY UPDATE PACK

Patrick Rowe (Pension Fund Manager), presented the report and gave a summary of the key points.

It was noted that Appendix 3 provided information about the Pension Fund's investments and performance. In general, this had been a positive quarter for equity markets.

Overall, the investment performance report showed that over the quarter to 30 June 2021, following the downturn in markets caused by the Covid-19 outbreak, the market value of the assets increased by 47.4m to £1,260.6m.

The Fund was in line with its benchmark net of fees by delivering a return of 4.2% over the quarter to 30 June 2021, and the estimated funding level was 94.0% as at 30 June 2021. Over the year to 30 June 2021, the Fund overperformed against its benchmark by 1.6%, returning 14.3% overall.

RESOLVED:

That the Pension Fund Committee noted the report.

8. UPDATE ON THE LGPS PENSION ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. It was noted that Officers were making good progress against the project workstreams. Four of the key areas were now complete. These included, workforce and recruitment, Surrey County Council (SCC) exit plan, undecided leavers project and the budget.

Councillor Guy Vincent asked for further clarification to be provided on the nature of the issues faced with SCC and how it got to this stage. In response David Hughes (Director of Audit, Fraud, Risk and Insurance) provided an overview of the key concerns that had arisen relating to the performance issues leading to the independent review and subsequent decision to exit the arrangement with SCC. It was noted that there were legacy data issues with Capita and BT that had impacted SCC's ability to maintain accurate pension records. In September 2019 it came to light that SCC, as part of the triennial review data provision, had fallen below expected standards for data quality and the delivery of day to day administration tasks that supported the pensions function.

RESOLVED:

That the Pension Fund Committee noted the report.

9. PENSION FUND DATA QUALITY

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the data quality issues for the Council and the mitigations the Pension Manager was taking on behalf of the Fund to improve these. The processing of legacy cases had not increased at the pace expected due to technical problems. ITM had been temporarily unable to access the Altair system and process the legacy data to bring member files up to date. However, the second tranche of data cleansing project has had excellent results, as ITM have provided a 91% success rate.

RESOLVED:

That the Pension Fund Committee noted the report.

10. PENSION ADMINISTRATION PERFORMANCE UPDATE

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the performance for SCC in providing a pension administration

service to the Fund. The Key Performance Indicators for the period (January to July 2021) were still below the desired level that we required from our administrators, but the Council had continued to see improvements in key areas such as deaths and transfers. The Pensions Manager continued to work with SCC to understand the activity trends and challenge poor performance.

Councillor Guy Vincent enquired what measures were in place with Local Pensions Partnership Administration (LPPA) to ensure that similar issues did not arise again. In response David Hughes (Director of Audit, Fraud, Risk and Insurance) explained that there was a clear mechanism in place for identifying and dealing with poor performance issues, including provision within the LPPA delegation agreement for an improvement plan to be implemented to manage their performance effectively. Eleanor Dennis (Pensions Manager) noted that going forward it was vital to recognise the importance of continuously monitoring the performance on a quarterly basis to ensure that the highest quality of service was being provided by LPPA.

Councillor Guy Vincent enquired if the Council would be compensated for the performance failings of SCC and the additional charges paid to ITM. Eleanor Dennis (Pensions Manager) confirmed that there would have been a charge from SCC to bring in a contractor to carry out the work and that direct control over the quality of the work, by appointing ITM, was determined to be the best approach to deal with this matter.

Councillor Rowan Ree asked for further clarification to be provided on the likely impact on those members where their data had not been reported accurately. In response Eleanor Dennis (Pensions Manager) outlined the different implications for members and provided a summary of the possible outcomes for those individuals.

RESOLVED:

That the Pension Fund Committee noted the report.

Meeting started: 19:00pm
Meeting ended: 21:11pm

Chair

Contact officer: Amrita White
Committee Co-ordinator
Governance and Scrutiny
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Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

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

Pension Fund Committee Minutes

Monday 25 October 2021

PRESENT

Councillors in attendance: Councillors Iain Cassidy (Chair), Rowan Ree, Guy Vincent and Matt Thorley

Councillors joined online: Councillor Helen Rowbottom

Officer in attendance: Phil Triggs (Director of Treasury and Pensions)

Co-opted members joined online: Michael Adam and Peter Parkin

Officers joined online: Patrick Rowe (Pension Fund Manager), Emily Hill (Director of Finance), Adesuwa Omoregie (Assistant Director, Legal Services)

1. APOLOGIES FOR ABSENCE

Apologies of absence were received from Councillor Jonathan Caleb-Landy.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on the 21st July 2021 were approved.

4. EXCLUSION OF PUBLIC AND PRESS

RESOLVED

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.

5. **LONDON LGPS CIV LTD REGULATORY CAPITAL CLASSIFICATION - EXEMPT**

Discussion of this item can be found in the exempt minutes of the meeting.

Meeting started: 19:15pm
Meeting ended: 20:15pm

Chair

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Pension Fund Committee Minutes

Tuesday 23 November 2021

PRESENT

Note: This was held as a hybrid meeting, with some members and officers attending in person and some joining online. A recording of the meeting can be found at: <https://youtu.be/L9J-SSxjGc>

Councillors in attendance: Councillors Iain Cassidy (Chair), Rowan Ree and Guy Vincent

Co-opted members joined remotely: Michael Adam and Peter Parkin

Officers in attendance: Phil Triggs (Director of Treasury and Pensions), Patrick Rowe (Pension Fund Manager), Matthew Hopson (Strategic Investment Manager)

Officers joined remotely: Dawn Auger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager) and Rhian Davies (Director of Resources)

External Joined remotely: Chris Parker and Shamez Alibhai (Man Group)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Matt Thorley, Helen Rowbottom and Jonathan Caleb-Landy.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on the 25th October 2021 were approved.

4. MAN GROUP UPDATE

Phil Triggs (Director of Treasury and Pensions) introduced this item and noted that a presentation would be provided by Man Group to update the Pension Fund Committee on the portfolio progress and the upcoming pipeline for future investments.

Chris Parker and Shamez Alibhai (Man Group) gave a presentation and noted the following key points, relating to the Man Group Community Housing Fund:

- The key features and the drivers of investment performance were summarised.
- The Fund had four strategic impact goals governed by a robust framework.
- The Fund's goals included additionality, affordability, social and environmental sustainability
- All prospective investments were assessed against the impact framework with new philanthropy capital.
- Since launching in April, the Fund had developed a strong portfolio and pipeline of advanced investments, having originated and analysed over 120 deals.
- Elements of the cashflow forecast for the Fund and an investment case study were also outlined.

Michael Adam (Co-opted Member) enquired how the Fund raising was progressing for the next close of accounts and how quickly Man Group anticipated reaching its target plan. In response Chris Parker (Man Group) explained that a substantial amount of work had been carried out with all the investors to meet the target plan. Currently Man Group had raised £135m to date and expected to double in value by the end of the Fund close in July 2022.

In response to a question asked by the Chair, Shamez Alibhai (Man Group) explained that one of the key areas included in the assessments for the location of the developments was to ascertain the accessibility of a public transport network. This was explored for each of the investments to ensure that there was a regular bus service running, to allow households to move around without requiring cars. Man Group felt that public transport connectivity was important from an environmental perspective as well as from a social perspective.

Councillor Guy Vincent asked what assurances could be provided that developments would not be carried out on a flood plain. Shamez Alibhai (Man Group) noted that when seeking investment opportunities, Man Group had been very clear that investing on a flood plain was not in scope with its objectives.

RESOLVED:

That the Pension Fund Committee noted the report.

5. UPDATE ON THE TRANSITION OF THE LGPS PENSION ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. It was noted that Officers were making good progress against the various project workstreams. Six of the key areas were now complete, progress on the outstanding three risks were detailed in the report.

The Chair enquired if Officers were confident with the completion date of the 26th January 2022. In response David Hughes (Director of Audit, Fraud, Risk and Insurance) noted that Officers were working closely with all stakeholders including working through a detailed project plan with Local Pensions Partnership Administration (LPPA), to ensure a smooth transfer from Surrey County Council (SCC) and the implementation of the new service with LPPA on 26 January 2022.

Councillor Guy Vincent asked for further clarification to be provided on the current position of SCC and enquired if there was a risk of SCC ceasing to trade. David Hughes (Director of Audit, Fraud, Risk and Insurance) noted that SCC would still be required to provide a service to the Council, following the exit plan in January 2022. Officers were aware that two other London boroughs were also planning to exit SCC and as a result there had been an impact on the service provided to the Council by SCC. However, Officers were working with SCC to ensure that the performance was at an improved level until the Council exited SCC next year.

Councillor Rowan Ree asked if all the outstanding actions would be completed by the end of the month. David Hughes (Director of Audit, Fraud, Risk and Insurance) noted that Officers were satisfied that work was progressing in the right direction, to ensure the completion of the outstanding actions within the timescales provided.

RESOLVED:

That the Pension Fund Committee noted the contents of the report.

6. PENSION ADMINISTRATION PERFORMANCE UPDATE

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the performance for SCC in providing a pension administration service to the Fund. The performance for over the last 2 months had fallen dramatically to the lowest levels this year in all areas apart from in the processing of new joiners. Although this drop in performance was disappointing, cases were still processed albeit a day or two later than the set service level agreement.

This dip in performance had been discussed with SCC and the importance of maintaining the Key Performance Indicators (KPI's) during this exit period reinforced. The dip in performance had primarily been as a result of a combination of poor resource management, managing the exit of other Funds

and the additional tasks required to be actioned by the team ahead of the exit date.

Councillor Rowan Ree asked for an overview to be provided on the lessons learned for the future and for being the last Fund to exit SCC. In response Eleanor Dennis (Pensions Manager) explained that the full review and findings of the lessons learned would be presented to the Pension Fund Committee in early 2022 once this exercise had been completed by Officers.

RESOLVED:

That the Pension Fund Committee noted the contents of the report.

7. PENSION FUND DATA QUALITY

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the data quality issues for the Council and the mitigations the Pension Manager was taking on behalf of the Fund to improve these. The project carried out by ITM had now ceased, with more than two thirds of records being updated. The remainder of cases not completed as part of the project carried out by ITM would be forwarded for completion by LPPA.

The Chair enquired how confident the Officers were, in providing LPPA with accurate data. In response Eleanor Dennis (Pensions Manager) noted that there had been legacy issues in relation to poor data being inherited from Capita and SCC were not solely at fault. ITM had carried out some work to improve the state of the data, helping the Fund's data to be migrated across to LPPA in a much healthier state and standing in good stead for the forthcoming valuation in 2022.

Councillor Guy Vincent enquired if SCC would continue to work with the Council at the end of the transition to support with the clear up of any outstanding data issues. He also asked whether the Council would be compensated for the performance failings of SCC and the additional charges paid to ITM. Eleanor Dennis (Pensions Manager) noted that LPPA, would be responsible for the data cleansing once all the data had been migrated across. LPPA were aware they would inherit some outstanding back-log issues and they had a dedicated employer engagement team to work through the outstanding cases. In addition, it was noted that discussions regarding compensation would be held with SCC in due course and the outcome of this matter would be brought to the next Pension Fund Committee.

Action: Eleanor Dennis

Councillor Rowan Ree enquired if there was a potential of a regulatory fine to the Fund. Eleanor Dennis (Pensions Manager) noted that discussions had been held with the Pension Fund legal advisors regarding the potential of a fine. They had confirmed that as the Pension Regulator took a pragmatic approach and as the Fund was actively rectifying the data issues identified with a third-party provider and SCC, this would be considered to be sufficient to satisfy the Regulator.

RESOLVED:

That the Pension Fund Committee noted the contents of the report.

8. PENSION FUND QUARTERLY UPDATE PACK

Patrick Rowe (Pension Fund Manager) presented the report and gave a summary of the key points.

Overall, the investment performance report showed that over the quarter to 30th September 2021, the market value of the assets increased by £16.2m to £1,276.8m. The Fund was in line with its benchmark net of fees by delivering a return of 1.7% over the quarter to 30th September 2021, and the estimated funding level was 94.0% as at 30th September 2021. Over the year to 30th September 2021, the Fund overperformed against its benchmark by 1.6%, returning 14.3% overall. It was noted that 8 ratings had been updated on the risk register. An additional Appendix (Breaches of the Law Log) had also been added to the quarterly update pack.

Kevin Humpherson (Deloitte) provided a summary of the investment performance for the quarter and the recent manager developments. Overall global markets performance was relatively flat with investors growing increasingly concerned with rising inflation. UK equities delivered a positive return, outperforming overseas markets. The highlights over the quarter to 30 September 2021 came from the Aberdeen Long Lease Property Fund, and Partners Group across both the MAC and Infrastructure funds, outperforming the relevant benchmarks.

Michael Adam (Co-opted Member) referring to the risk register asked for further clarification to be provided on the travel of direction for the liability risk 30. Phil Triggs (Director of Treasury and Pensions) explained that the upcoming actuarial valuation at 31st March 2022 would require a fresh assessment of the factors utilised in assessing the liability valuation, namely, the discount rate, CPI inflation, future investment return and longevity. Officers would ensure that members were sufficiently briefed during the process.

RESOLVED:

That the Pension Fund Committee noted the report.

9. DRAFT ANNUAL REPORT 2020/21

Patrick Rowe (Pension Fund Manager) presented the report and gave a summary of the key points. It was noted that the report presented the draft Pension Fund report and statement of accounts for the year ended 31st March 2021. Members were asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Director of Treasury and Pensions in consultation with the Chair.

The deadline for submitting the Annual Report was 30th September 2021. The statement of accounts was completed and handed to external audit in June

2021. However, due to resourcing issues, there had been delays in commencing the audit process. The audit was, however, currently underway. The draft Pension Fund Accounts were presented to Committee at the 21st July 2021 meeting.

Michael Adam (Co-opted Member) asked for a follow up to be provided on a previous action from the 21st July Committee meeting. This was to include a note to the draft accounts which explained the difference for the change in the management fees. In response Matthew Hopson (Strategic Investment Manager) confirmed that this would be included as part of the final accounts and would be added into the section of the annual report.

Action: Matthew Hopson

Councillor Rowan Ree enquired when the Pension Fund Committee would receive the independent auditors report. Matthew Hopson (Strategic Investment Manager) noted that the Pension Fund Committee would be presented with the report at the next meeting if the audit concluded on the expected end of January timescale.

Councillor Rowan Ree asked whether the Council would be issued with a sanction as a result of missing the submission deadline for the Annual Report. Matthew Hopson (Strategic Investment Manager) noted a sanction would not be issued. Officers had notified the London Councils of the delay in submission, due to resourcing issues from external audit in commencing the audit process and they had been very understanding.

Note: only members in attendance participated and voted on this item.

RESOLVED:

That the Pension Fund Committee

- Approved the draft Pension Fund Annual Report for 2020/21 and delegated the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.
- Noted the draft Pension Fund Accounts for 2020/21

10. GOVERNANCE REVIEW RECOMMENDATIONS

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The log showed that good progress had been made, with 15 recommendations implemented, and 8 commenced.

RESOLVED:

That the Pension Fund Committee noted the log of recommendations.

11. INDEPENDENT INVESTMENT ADVISOR APPOINTMENT

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The Pension Fund Committee agreed at the meeting of 21st March 2021 that it would be beneficial to appoint an

independent investment consultant to support the Committee's decision-making process. Officers were tasked with procuring a suitable shortlist of candidates for members to interview.

Officers had completed the process and provided members with a shortlist of three candidates that were interviewed on 22nd November 2021.

Note: only members in attendance participated and voted on this item.

RESOLVED:

That the Pension Fund Committee approved the appointment of a new independent consultant following the outcome of the recruitment process conducted on 22nd November 2021.

12. DARWIN LEISURE DEVELOPMENT FUND UPDATE

Matthew Hopson (Strategic Investment Manager) presented the report and outlined the key points. It was noted that the draft accounts for 2021 were currently being prepared by the Fund's administrator. This was quite a lengthy process as it involved consolidating all UK subsidiaries and Guernsey based entities, but Darwin would provide these as soon as they were available (likely to be mid to late December). Occupancy had remained strong since the parks reopened from the Covid-19 lockdown, with significant improvement seen in rates over the last three years set to continue into the next financial year. In addition, the Director of Treasury and Pensions had been in consultation with Darwin over fees and the agreed rate with a ten-year lock-in period.

Members discussed the report and a summary of this can be found in the exempt minutes.

The Chair proposed the following amendment be made to recommendation 2 in line with the views of the Pension Fund Committee:

- delegated authority to the Director of Treasury and Pensions in consultation with the Chair to approve the Pension Fund's 2.5% allocation (£32m) to the Darwin Leisure Development Fund to be funded from the existing secure income allocation with Oak Hill, following receipt of the draft accounts for 2021 and subject to further discussions being held with Darwin in relation to the fees and a five-year break clause.

Members unanimously agreed the amended recommendation as set out above.

Note: only members in attendance participated and voted on this item.

RESOLVED:

That the Pension Fund Committee

- Noted the report
- Delegated authority to the Director of Treasury and Pensions in consultation with the Chair to approve the Pension Fund's 2.5%

allocation to the Darwin Leisure Development Fund to be funded from the existing secure income allocation with Oak Hill, following receipt of the draft accounts for 2021 and subject to further discussions being held with Darwin in relation to the fees and a five-year break clause.

13. EXEMPT DISCUSSION (IF REQUIRED)

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: 19:05pm
Meeting ended: 20:15pm

Chair

Contact officer: Amrita White
Committee Co-ordinator
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London Borough of Hammersmith & Fulham

Report to: Pensions Board

Date: 9th February 2022

Subject: Update on the LGPS Pensions Administration Service

Report Author: David Hughes, Director of Audit, Fraud, Risk and Insurance
Eleanor Dennis, Head of Pensions

Responsible Director: Rhian Davies, Director of Resources

Summary

This report follows up on update reports presented previously to the Pensions Board on the actions agreed by the Pension Fund Sub-committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 1 February 2022. The go live date was subsequently brought forward to 26 January 2022.

The Pensions Board and 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.

Recommendations

1. That the contents of this report are noted.
-

Wards Affected: None

H&F Values	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 charged to the Pension Fund.

Finance implications verified by Emily Hill, Director of Finance, 31 January 2022.

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.

Legal Implications verified by Adesuwa Omoregie, Assistant Director, Legal Services, 31 January 2022.

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. This report is for noting and no decisions are required. A range of options were considered by the Pension Fund Committee on 31 July 2020 and actions agreed.
2. This report sets out the recent progress made against the actions previously agreed by the Pension Fund Committee. All of the actions requested at the Pension Fund Committee on 31 July 2020 have now been completed.
3. The data migration from Surrey County Council (SCC) to LPPA has been successfully completed and the new service being provided by LPPA went live on 26 January 2022. A further verbal update will be provided at the meeting.

Progress Update

What were the key project risks?

4. As reported at the previous meetings of the Pensions Board and Pension Fund Committee, the Pensions Taskforce identified four key risks which have all been mitigated against.

- 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 implemented. The Pension Fund Committee 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 could go live on 1 February 2022. This date was subsequently brought forward to 26 January 2022 when the new service with LPPA commenced.

- 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.

The mitigations for this risk have been completed. 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 Committee to consider both public and private providers, the Taskforce engaged with a number of public providers. 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 was 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 Pension Fund Committee on 3 February 2021, to enter into a delegation agreement for the service to be provided by LPPA, which was approved and has now been actioned.

- 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 reviewed the data improvement work carried out by SCC and RBKC and procured a third party to undertake work on the backlog cases. The work was agreed under an officer decision report, in consultation with the Chair of the Pension Fund Committee and has been completed.

5. In recognising the key risks above, the Taskforce developed a detailed Project Plan is structured around nine key areas of activity, all of which are now complete. An overview of is provided for each workstream below:

Workforce and Recruitment

6. Recruitment to the Retained Team structure has now been completed with new team members recruited to enhance the team's resilience and provide sufficient capability, capacity and support to the Pensions Manager to deliver on the transfer and setting up of the new service. As reported previously, transition of all the retained functions previously managed by RBKC is complete and the in-house team are delivering a good, retained service.

The structure for the new Retained Pensions Team ensures there is sufficient resource to run the service on a day to day basis, to progress the data improvement work, to manage the exit from the SCC arrangement and to plan and implement the new service with LPPA, all of which has been completed.

Procurement - Pensions Administration service

7. Officers first agreed Heads of Terms with LPPA, to enable the transition project to commence and have also recently signed and completed the discharge and liability agreements governing the operation of the new service which came into force when the new service commenced on 26 January 2022.

Data improvement - caseload backlog project

8. The work was carried out by ITM and has been completed.

Legal/Contractual

9. As stated above, the discharge and liability agreements with LPPA and Lancashire County Council covering the operation of the new service have been agreed were signed and completed prior to the new service commencing on 26 January 2022.

Transfer of Retained Functions from RBKC

10. All functions and data were successfully transferred to LBHF by 31 December 2020 in line with the detailed transfer plan agreed. 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.

SCC Exit Plan

11. This is complete. The Director of Audit, Fraud, Risk and Insurance and the Pensions Manager worked closely with SCC on key project plan activities, timescales and responsibilities, in consultation with LPPA to ensure that all key activities, responsibilities and timescales were documented and agreed. The fourth and final data cut was successfully taken and provided by SCC following the January 2022 payroll run.

Governance Arrangements

12. The Pensions Taskforce has provided the day to day oversight for the project, reporting on a regular basis to the Chief Executive (and SLT Assurance) on progress. Update reports have been provided to the Pensions Board and Pension Fund Committee against the nine key areas identified in the project plan.

Communications

13. Fund Employers were informed in October 2021 of the forthcoming change of administration from SCC to LPPA. Fund Members received communications in December 2021 and January 2022 from LPPA regarding the new service. Employer and Member communications have also been sent out recently to enable registration for the relevant portals so that both Employers and Members can view and provide information on line.

Budget

14. This is now complete. The costs of pensions administration are met by the Pension Fund. The Pensions Manager works with the Treasury team to manage the budget. Budget accountability will sit with this role and the Assistant Director, Transformation, Talent and Inclusion.

Risk Management Implications

15. 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:

16. 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 Moira Mackie, Head of Internal Audit, 31 January 2022.

Agenda Item 6

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pensions Board

Date: 9th February 2022

Subject: Pension Administration KPI Performance

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Rhian Davies, Director of Resources

SUMMARY

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 final period of their role as pension administrator of the Hammersmith & Fulham pension Fund. October 2021 – December 2021 inclusive as shown in Appendix 1.

RECOMMENDATIONS

1. That the Pension Board consider the contents of this report.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
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 taxpayer.

Financial Impact

None

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.

Legal implications verified by Adesuwa Omoregie, Assistant Director , Legal Services 31 January 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

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.
2. The KPI's as detailed in Appendix 1 of this report cover the period October to December 2021 inclusive, remained steady.

Performance in key areas

3. Processing of deaths over the last 3 months has remained steady with most death cases processed within the agreed SLA of 5 days. The KPI's were met for all death cases in the months of October and December 2021.
4. Unfortunately, the performance of retirements fell below the agreed KPI's for most of this quarter with a low in October of 31% but being picked back up to 100% in December.
5. The processing of refunds remained steady but improved overall to meeting our set KPI's in December 2021.
6. The processing of transfers remained steady, with a small dip in issuing of transfer in quotations. This fall was due to resources at SCC being diverted to focus on another Fund exit.

Summary

7. SCC have continued to provide a satisfactory pension administration service to the Fund in most areas with some improvement in performance for this last full quarter of work processed. The poor performance in October and November was a result of resources at SCC being diverted to focus on another Fund's exit. Overall SCC have remained committed to providing a satisfactory service in the months prior to the Fund's exit from their services in January 2022.

LIST OF APPENDICES

Appendix 1 - KPI Performance figures for the period October – December 2021 inclusive

Appendix 1

Description	Target time/date as per Partnership Agreement (working days)	Target	Actual Score October	Total No of completed cases	No of cases late	Actual Score November	Total No of completed cases	No of cases late	Actual Score December	Total No of completed cases	No of cases late
Pension Administration											
Death Benefits Write to dependant and provide relevant claim form	5 days	100%	90%	21	2	95%	14	1	100%	14	0
Set up any dependants benefits and confirm payments due, including concluding any under or overpayments.	10 days	100%	68%	25	8	40%	35	21	89%	27	3
Retirement Notification request for retirement acknowledged, recorded and documentation sent to member	10 days	100%	62%	69	26	78%	45	10	85%	46	7
Retirements New retirement benefits processed for payment following receipt of claim forms	7 days	100%	31%	16	11	56%	19	10	71%	14	4
Deferred retirement benefits processed for payment following receipt of claim forms	7 days	100%	50%	24	12	87%	39	17	63%	24	9
Refunds of Contributions Refund paid following receipt of claim form	10 days	100%	84%	87	14	87%	70	9	88%	41	5
Deferred Benefits Statements sent to member following receipt of leaver notification	20 days	100%	75%	135	34	29%	119	119	39%	125	76
Estimates Early Retirement requests from employer	10 days	100%	100%	6	0	100%	167	0	60%	5	2
Projections Requests from employees	10 days	100%	50%	2	1	20%	14	4	50%	2	1
New Joiners New starters processed	30 days	100%	100%	107	0	100%	5	0	100%	46	0
Transfers In Quote estimate to scheme member (includes interfunds)	20 days	100%	41%	17	10	42%	57	33	63%	52	19
Transfers In Transfers-in payments processed	20 days	100%	80%	45	9	78%	32	7	74%	34	9
Transfers Out Transfers-out quotations processed (includes interfunds)	20 days	100%	63%	32	12	70%	43	13	68%	38	12
Transfers Out Transfers out payments processed	20 days	100%	65%	20	17	62%	13	5	83%	12	2
No of complaints received within the month	n/a	100%	N/a	0	0	N/a	0	0	N/a	0	0
No of complaints resolved within the month	30 days	100%	N/a	0	0	N/a	0	0	N/a	0	0
No of compliments received within the month	n/a	N/a	N/a	0	0	N/a	0	0	N/a	0	0
Helpdesk Volumes											
Total Queries Handled	First Point Fix										
Jan 21 - 436	79%										
Feb 21 - 487	79%										
Mar 21 - 595	89%										
Apr 21 - 485	92%										
May 21 - 419	92%										
Jun 21 - 419	92%										
July 21 - 584	92%										
August - 518	95%										
Sept - 458	92%										
Oct 21 - 584	87%										
Nov 21 - 549	86%										
Dec 21 - 411	84%										

Agenda Item 7

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pensions Board

Date: 9th February 2022

Subject: Pension Fund Quarterly Update Pack

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

This paper provides the Pensions Board with a summary of the Pension Fund's:

- Overall performance for the quarter ended 30 September 2021;
 - Cashflow update and forecast;
 - Assessment of risks and actions taken to mitigate these.
-

RECOMMENDATIONS

1. The Pensions Board is recommended to note the update.
-

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
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

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update – Q2 2020/21

1. This report and attached appendices make up the pack for the quarter two (Q2) ended 30 September 2021. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.
2. Appendix 2 contains the Pension Fund's report on the latest updates with regard to the integration of the environmental, social and governance (ESG) factors as part of its investment strategy.
3. Appendix 3 provides information about the Pension Fund's investments and performance. The highlights from the quarter are shown below:
 - Overall global markets investment performance was relatively flat with investors growing increasingly concerned with rising inflation. UK equities delivered a positive return, outperforming overseas markets.
 - Overall, the investment performance report shows that, over the quarter to 30 September 2021, the market value of the assets increased by £16.2m to £1,276.8m.
 - The Fund was in line with its benchmark net of fees by delivering a return of 1.7% over the quarter to 30 September 2021, and the estimated funding level was 94.0% as at 30 September 2021.
 - Over the year to 30 September 2021, the fund overperformed against its benchmark by 1.6%, returning 14.3% overall.
 - The highlights over the quarter to 30 September 2021 came from the Aberdeen Long Lease Property Fund, and Partners Group across both the multi asset credit and Infrastructure funds, outperforming the relevant benchmarks.
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 June 2022. An analysis of the differences between the actuals and the forecast for the quarter is also included.
5. Appendix 5 contains the Pension Fund's Risk Registers.
6. Appendix 6 contains the Pension Fund's Breaches of the Law log.

7. Appendix 7 contains the LBHF Committee and Board Knowledge and Skills 2022 questionnaire. Please complete this and send to Mat Dawson.

Risk Management Implications

8. This is included in the risk registers.

LIST OF APPENDICES

Appendix 1: Scorecard at 30 Sep 2021

Appendix 2: Pension Fund ESG Report

Appendix 3a: Deloitte Quarterly Report for Quarter Ended 30 Sep 2021

Appendix 3b: Deloitte Quarterly Report for Quarter Ended 30 Sep 2021 (EXEMPT)

Appendix 4: Cashflow Monitoring Report

Appendix 5: Pension Fund Risk Registers

Appendix 6: Breaches of the Law Log


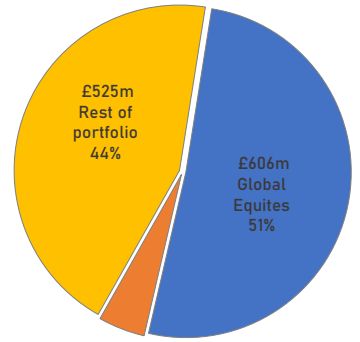



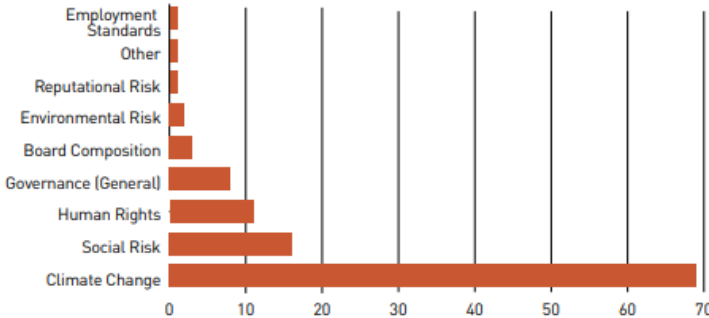
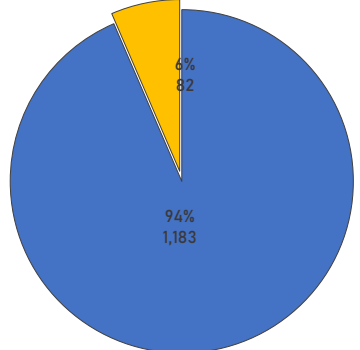
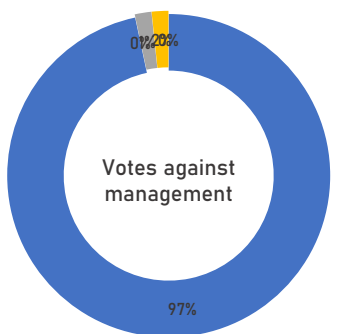
Appendix 7: LBHF Committee and Board Knowledge and Skills 2022

Scorecard at 30 September 2021

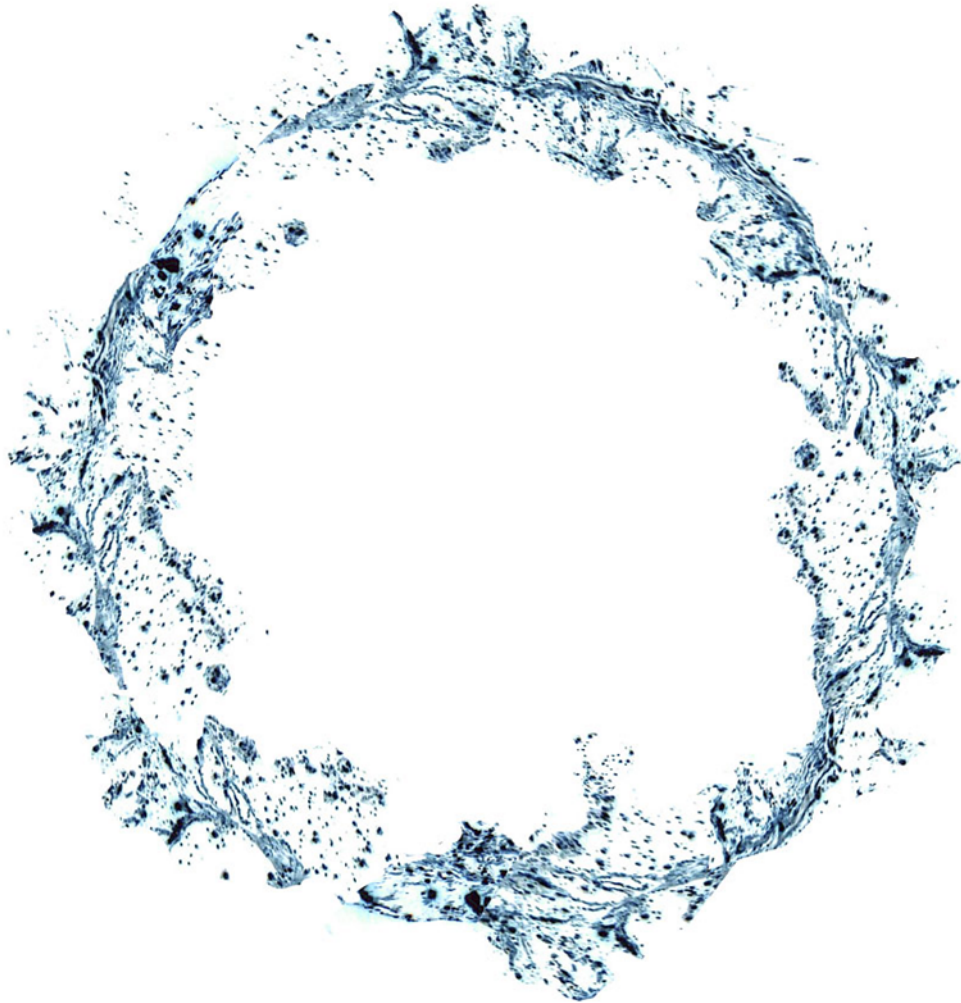
London Borough of Hammersmith and Fulham Pension Fund Quarterly

Monitoring Report

	Mar 21 £000	Jul 21 £000	Aug 21 £000	Sep 21 £000	Report reference
Value (£m)	1,213.2	1,266.5	1,289.1	1,276.8	IRAS reports
% return quarter	2.93%	2.39%	4.49%	1.7%	
% return one year	21.89%	15.07%	15.15%	14.1%	
LIABILITIES					
Value (£m)	1,288			1,361	Actuary funding update
Surplus/(Deficit) (£m)	(71)			(85)	
Funding Level	95%			94%	
MEMBERSHIP					
Active members	4,467			4475	Reports from Pension Fund Administrator
Deferred beneficiaries	5,914			6218	
Pensioners	5,368			5608	
Active Employers	52			57	
CASHFLOW					
Cash balance	1,700	4,627	6,377	8,565	Appendix 4
Variance from forecast	240	2,997	4,747	7,068	
RISK					
No. of new risks	0	0	0	0	Appendix 5: Risk Register
No. of ratings changed	0	0	0	8	
LGPS REGULATIONS					
New consultations	None	None	None	None	
New sets of regulations	None	None	None	None	

Environmental, Social & Governance (ESG) Report		30 September 2021		Key Highlights		Investment in Low Carbon Assets	
<p>The London Borough of Hammersmith & Fulham Pension Fund is committed to being a responsible investor. In line with this commitment, the Pension Fund recognises Environmental, Social & Governance (ESG) factors to be integral to its investment strategy.</p> <p>The Pension Fund has a target to achieve carbon neutrality by 2030.</p>				 <p>² 57% CO emissions saved by investing in the MSCI Low Carbon Fund</p>		<p>£663mil</p> <p>52%</p>	
		 <p>46.3k estimated number of cars kept of the road each year by investing in renewable energy¹</p>		 <p>112 number of engagements by LGIM on Social topics during the last quarter.</p>		<p>Low Carbon Investments £000</p>	
		<p>Estimated Carbon Savings (tonnes p/a)</p>		 <p>82 number of companies engaged over the last quarter by LAPFF</p>		<p>Equities 606,100</p> <p>Aviva Infrastructure 25,700</p> <p>Partners Infrastructure 28,416</p> <p>LCIV Green Bonds 3,270</p>	
		<p>MSCI Low Carbon 44.7k</p>					
		<p>Aviva Infrastructure 10.1k</p>					
<p>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).</p>				<p>LAPFF Engagement</p> <p>The Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF), the UK's leading collaborative shareholder engagement group. LAPFF regularly engages with companies to encourage best practice and ensuring that they have the right policies in place to create value.</p>			
<p>Voting Summary (LCIV)</p>		<p>Voting Breakdown (LCIV)</p>					
				<ul style="list-style-type: none"> ■ Directors Related ■ Non-Salary Compensation ■ Routine/Business ■ Capitalisation ■ Shareholder Proposals 			

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



London Borough of Hammersmith & Fulham Pension Fund
Investment Performance Report to 30 September 2021

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1 Market Background

Global Equities

Performance across global developed markets was relatively flat over the third quarter of 2021, with declines in September erasing prior gains. Since 30 June 2021, investors have grown increasingly concerned with rising inflation with both Federal Reserve and Bank of England policymakers discussing rate rises and the tightening of monetary policy more generally. Natural gas and fuel shortages impacted the UK towards the end of the quarter, and businesses globally have confirmed that supply chain disruption and labour constraints are limiting output. Emerging Market equities underperformed over the quarter as concerns grew around repeated intervention by the Chinese government and the ability of Evergrande and other property companies to service its debts.

Over the third quarter of 2021, global equity markets fell slightly with the FTSE All World Index returning -0.2% in local currency terms. Sterling depreciation benefitted unhedged investors with the same index returning 1.5% in sterling terms. Performance across most global regions was fairly muted with the exception of Japan, which delivered the highest return of 5.0% (local terms), and the Asia Pacific region (excluding Japan), which was the worst performing region, returning -6.3% (local terms). The issues in China also caused Emerging Market equities to underperform.

UK equities delivered a positive return of 2.2% over the quarter, outperforming overseas markets. Positive relative performance was mainly due to sector biases in the UK market with the relatively large exposure the Oil & Gas sector benefitting from the sharp rise in gas and oil prices.

Government bonds

UK nominal gilt yields increased over the quarter across all maturities. The rise was driven by higher inflation expectations. UK consumer price inflation increased to 3.2% over the year to the end of August, its highest level since 2012. The Bank of England is forecasting a further rise in inflation with the Monetary Policy Committee suggesting a tightening of monetary policy may be imminent. The All Stocks Gilts Index therefore delivered a return of -1.8% over the quarter, whilst the Over 15-year Index delivered a return of -2.8%.

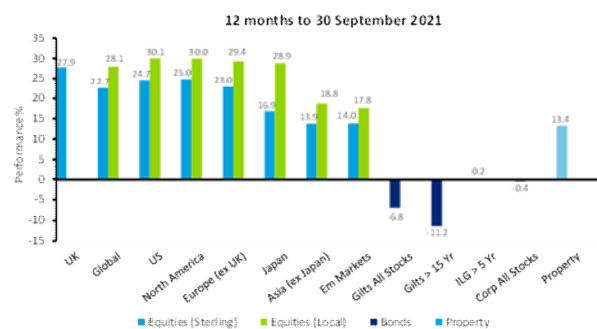
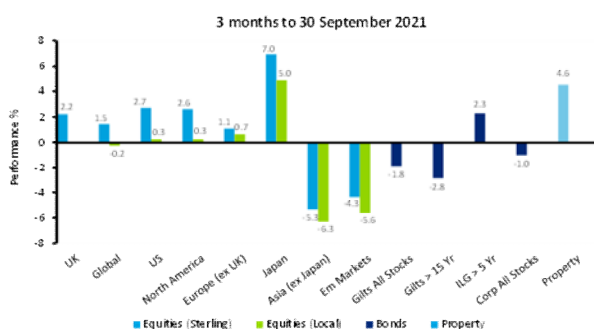
Real yields decreased by up to 50 bps for shorter maturities as inflation expectations moved sharply higher. At medium to longer maturities, the falls in real yields were more muted. The All Stocks Index-Linked Gilts Index delivered a return of 2.3% over the third quarter.

Corporate bonds

Sterling denominated corporate bond yields followed nominal gilt yields higher over the third quarter. However, robust corporate earnings contributed to a marginal fall in credit spreads. The iBoxx All Stocks Non-Gilt Index returned -1.0% over the three months to 30 September 2021.

Property

The MSCI UK All Property Index delivered a return of 4.6% over the third quarter, and a return of 13.4% over the 12 months to 30 September 2021. The industrial sector continues to lead the way, benefitting from trends including the switch to online shopping, which have accelerated as a result of the pandemic. UK monthly property transactions have certainly increased over the past 12 months and returns have been strong. However, investors should not lose sight of the continued issues around rental collections and the previous accumulation of rent arrears.



2 Performance Overview

2.1 Investment Performance to 30 September 2021

Breakdown of Fund Performance by Manager as at 30 September 2021		3	1	3 year	5 year
Fund	Manager	month	year	p.a.	p.a.
Equity Mandate					
MSCI AC World Index	LCIV Global Equity Core Fund	2.4	11.7	n/a	n/a
<i>Difference</i>		1.4	22.2	n/a	n/a
		1.0	-10.5	n/a	n/a
MSCI World Low Carbon Target Index	LGIM Low Carbon Mandate	2.4	23.7	n/a	n/a
<i>Difference</i>		2.5	23.9	n/a	n/a
		0.0	-0.1	n/a	n/a
Dynamic Asset Allocation					
3 Month Sterling LIBOR + 4% p.a.	LCIV Absolute Return Fund	0.5	13.6	7.2	4.7
<i>Difference</i>		1.0	4.1	4.5	4.5
		-0.5	9.5	2.7	0.2
Global Bonds					
Barclays Credit Index (Hedged)	LCIV Global Bond Fund	0.1	2.5	n/a	n/a
<i>Difference</i>		0.0	1.2	n/a	n/a
		0.1	1.3	n/a	n/a
Secure Income					
3 Month Sterling LIBOR + 4% p.a.	Partners Group MAC ²	5.9	27.1	5.4	5.5
<i>Difference</i>		1.0	4.1	4.5	4.5
		4.9	23.0	0.9	1.1
3 Month Sterling LIBOR + 4% p.a.	Oak Hill Advisors	0.9	9.4	3.9	3.8
<i>Difference</i>		1.0	4.1	4.5	4.5
		-0.1	5.3	-0.5	-0.6
Blended benchmark ⁴	ASI MSPC Fund	0.1	2.8	n/a	n/a
<i>Difference</i>		-0.4	1.0	n/a	n/a
		0.4	1.8	n/a	n/a
	Partners Group Infra ²	5.4	15.6	14.2	7.6
	Aviva Infra Income ³	3.6	1.3	2.8	n/a
Inflation Protection					
FT British Government All Stocks	ASI Long Lease Property Fund	4.2	9.6	6.5	7.8
<i>Difference</i>		-1.3	-4.7	5.0	3.2
		5.5	14.3	1.4	4.6
Total Fund		1.7	14.1	7.9	7.6
Benchmark¹		1.3	11.8	8.4	8.3
Difference		0.5	2.2	-0.5	-0.7

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 less than 0.1% of the Fund's total invested assets.

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

² Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 31 August 2021.

³ Aviva Investors performance figures provided by Northern Trust take into account a c. 1% income distribution from the Infrastructure Income Fund towards the end of each quarter.

⁴ 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 30 September 2021, 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 30 September 2021

	Last Quarter	One Year	Three Years	Five Years
	(%)	(%)	(% p.a.)	(% p.a.)
Total Fund - Net of fees	1.7	14.1	7.9	7.6
Benchmark ⁽¹⁾	1.3	11.8	8.4	8.3
Net performance relative to benchmark	0.5	2.2	-0.5	-0.6

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

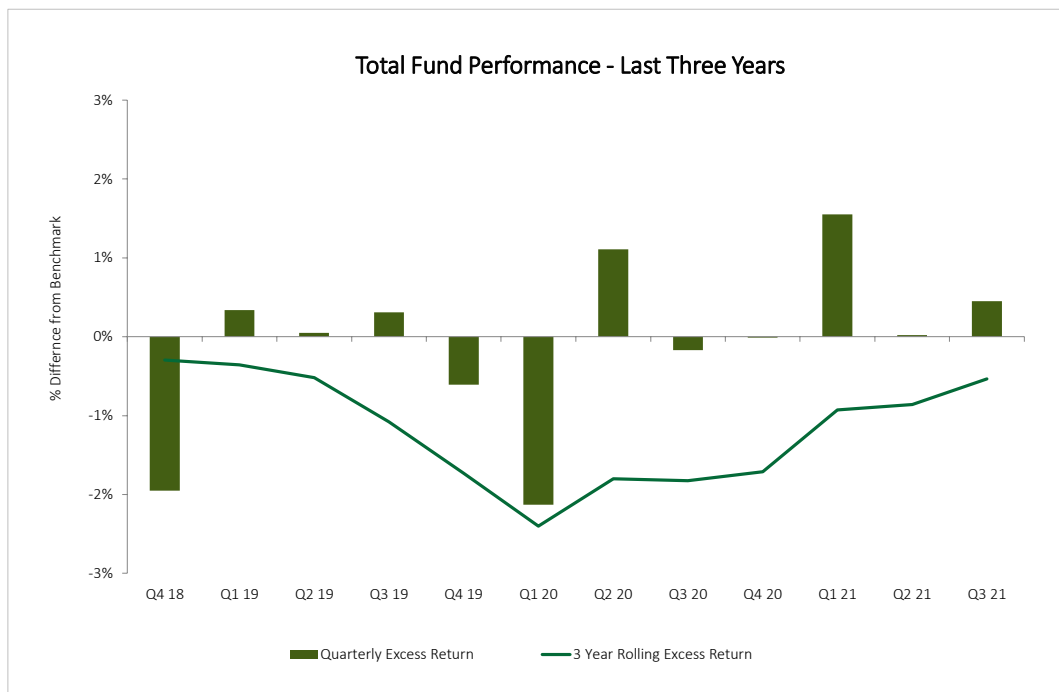
(1) Fixed weight benchmark

Over the third quarter of 2021, the Total Fund delivered a positive absolute return of 1.7% on a net of fees basis, outperforming the fixed weight benchmark by 0.5%.

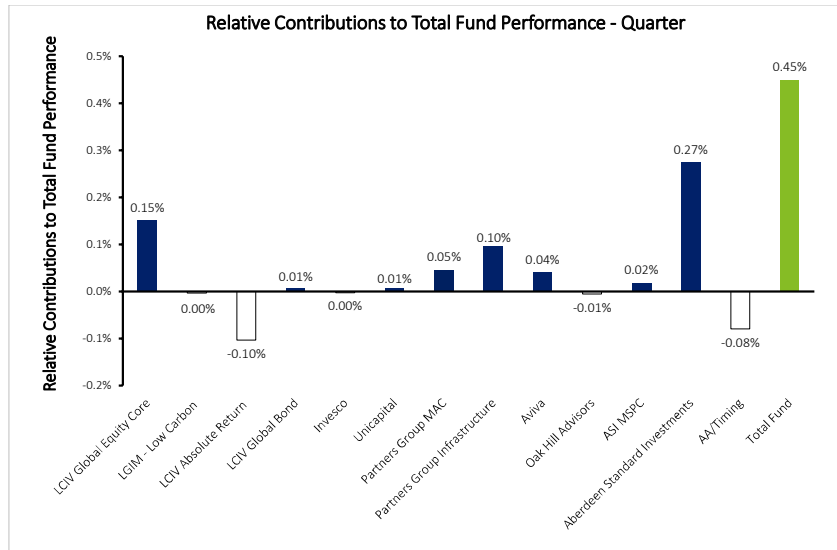
Over the year to 30 September 2021, the Total Fund delivered a positive absolute return of 14.1% on a net of fees basis, outperforming its fixed weight benchmark by 2.2%. The Total Fund delivered positive absolute returns of 7.9% p.a. and 7.6% p.a. on a net of fees basis over the longer three and five year periods to 30 September 2021 respectively, underperforming the fixed weight benchmark by 0.5% p.a. and 0.6% p.a. respectively.

Underperformance over the three year period to 30 September 2021 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.

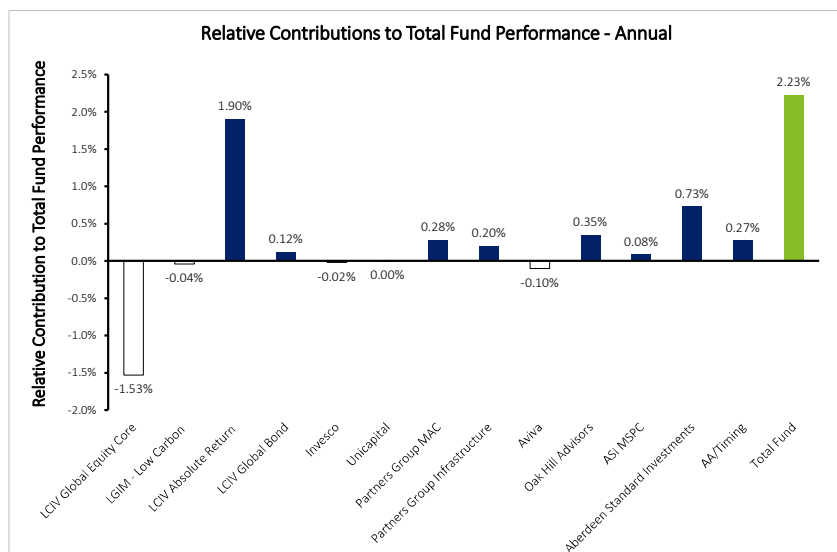
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 30 September 2021. The 3-year rolling excess return remained negative over the third quarter of 2021.



3.2 Attribution of Performance to 30 September 2021



The Total Fund outperformed its fixed weight benchmark by c. 0.5% over the quarter to 30 September 2021. Outperformance was primarily driven by the ASI Long Lease Property Fund, having outperformed its government bond-based benchmark over the third quarter of 2021 with the wider UK property market, in general, delivering positive returns over a period of rising gilt yields. Outperformance can also be partially attributed to the LCIV Global Equity Core Fund, which outperformed the wider global equity market over the quarter with the strategy’s bias to high quality stocks proving beneficial over the three-month period. Outperformance was partially offset by the LCIV Absolute Return Fund, having underperformed its cash-plus benchmark over the quarter. Please note, however, that we would expect relative performance differences over shorter time horizons where strategies are measured against cash-plus benchmarks.



Over the year to 30 September 2021, the Total Fund outperformed its fixed weight benchmark by c. 2.2% with outperformance over the year primarily driven by the LCIV Absolute Return Fund, having delivered large levels of outperformance over the first two quarters of the year to 30 September 2021, with the manager’s strategic allocations proving resilient across a variety of market environments. Outperformance can also be attributed to the ASI Long Lease Property Fund, having outperformed its gilts-based benchmark over the year, and the Oak Hill Advisors Diversified Credit Strategies Fund, having outperformed its cash-plus benchmark over the year with the strategy’s high yield bonds and leveraged loans exposures delivering positive returns as credit spreads narrowed. Despite delivering a positive absolute return of 11.7% on a net of fees basis, the LCIV Global Equity Core Fund has provided the largest deduction to outperformance over the year to 30 September 2021 having underperformed its MSCI-based benchmark over a twelve-month period where cyclical stocks, which the strategy holds a low allocation to, have rallied.

3.3 Asset Allocation

The table below shows the value of assets held by each manager as at 30 September 2021 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
		30 June 2021 (£m)	30 Sept 2021 (£m)	30 June 2021 (%)	30 Sept 2021 (%)	
LCIV	Global Equity Core	181.4	185.1	14.4	14.5	15.0
LGIM	Low Carbon Equity (passive)	410.9	421.0	32.6	33.0	30.0
	Total Equity	592.3	606.0	47.0	47.5	45.0
LCIV	Absolute Return	282.6	272.8	22.4	21.4	10.0
LCIV	Global Bond	109.6	109.0	8.7	8.5	10.0
	Total Dynamic Asset Allocation	392.2	381.8	31.1	29.9	20.0
Partners Group ¹	Multi Asset Credit	11.7	7.4	0.9	0.6	0.0
Oak Hill Advisors	Diversified Credit Strategy	81.4	82.2	6.5	6.4	7.5
Partners Group ¹	Direct Infrastructure	35.6	38.4	2.8	3.0	5.0
Aviva	Infrastructure Income	24.9	25.7	2.0	2.0	2.5
Aberdeen Standard Investments	Multi Sector Private Credit	56.5	56.3	4.5	4.4	5.0
	Secure Income	210.0	210.1	16.7	16.5	20.0
Aberdeen Standard Investments	Long Lease Property	62.6	65.3	5.0	5.1	5.0
Alpha Real Capital	Ground Rents	-	-	-	-	5.0
Man GPM	Affordable Housing	-	7.6	-	0.6	2.5
	Total Inflation Protection	62.6	72.9	5.0	5.7	15.0²
Northern Trust	Trustee Bank Account	3.1	5.8	0.2	0.5	0.0
	Total³	1,260.6	1,276.8	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 May 2021 and 31 August 2021).

² Includes 2.5% yet to be reallocated following the disinvestment from M&G. Funds currently held in Ruffer.

³ Total Fund valuation includes £0.1m which is invested in private equity allocations with Invesco and Unicapital, with these investments currently in wind down.

Over the quarter to 30 September 2021, the Fund's overweight equity allocation increased further with both equity strategies delivering positive absolute returns over the three-month period. With the Partners Group Direct Infrastructure Fund not yet fully drawn for investment, the Fund's secure income position remained underweight as at 30 September 2021.

On 16 February 2021, a manager selection exercise was carried out by the Fund to replace the M&G Inflation Opportunities V Fund within the inflation protection allocation. The asset classes included ground rents, affordable housing and supported living by various managers, with the Sub-Committee deciding to allocate c. 5% to the Alpha Real Capital ("ARC") Index Linked

Income Fund and a c. 2.5% allocation to the Man GPM Community Housing Fund. Both allocations total to £90m and will be taken from the overweight Ruffer allocation (temporary hold for the M&G disinvestment proceeds).

The Fund's commitment with ARC was closed on 17 May 2021 with the full £60m expected to be drawn and deployed during Q1 2022. The Fund's commitment with Man GPM was closed on 2 June 2021 with the full £30m expected to be drawn over the next 6 years across quarterly and deal-specific requests. As reported last quarter, Man GPM issued an initial draw down request, including equalisation payment, on 18 June 2021 for £3.6m (£3.0m for investments). However, Northern Trust has accounted for this initial drawdown in July 2021 and therefore the Man GPM allocation in the table above as at 30 June 2021 is nil. Man GPM issued three draw down requests over the third quarter of 2021 for a total of £5.1m (£4.4m for investments), with the Fund's commitment c. 29% drawn for investment as at 30 September 2021. The Man GPM drawdown requests have been funded from the LCIV Absolute Return Fund.

3.4 Yield Analysis as at 30 September 2021

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

Manager	Asset Class	Yield as at 30 Sept 2021
LCIV	Global Equity Core	1.27%
LGIM	Low Carbon Equity	1.76%
LCIV	Absolute Return	1.50%
LCIV	Global Bond	2.78%
Partners Group	Multi-Asset Credit	5.70%
Oak Hill Advisors	Diversified Credit Strategy	5.30%
Aviva Investors	Infrastructure	6.40% ¹
Aberdeen Standard Investments	Long Lease Property	3.85%
	Total	2.02%

¹ Represents yield to 30 June 2021.

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	2
Aberdeen Standard Investments	Long Lease Property	Les Ross 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 Investment in lower yielding or poorer quality assets than expected	1
	Multi Sector Private Credit	Significant changes to the investment team responsible for the Fund	1
Alpha Real Capital	Ground Rents	Significant changes to the investment team responsible for the Fund	1
Man GPM	Affordable Housing	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 10 year lock-up period	1

4.1 London CIV

Business

The London CIV had assets under management of £12,575m within the 14 sub-funds (not including commitments to the London CIV Infrastructure Fund, London CIV Inflation Plus Fund, The London Fund, London CIV Renewable Infrastructure Fund and London CIV Private Debt Fund) as at 30 September 2021, an increase of £445m over the quarter primarily as a result of new London Borough investments in the LCIV Global Alpha Paris Aligned Fund, the LCIV Sustainable Equity Fund and the LCIV Emerging Market Fund.

As at 30 September 2021, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £25.9bn, a decrease of c. £0.8bn over the quarter. Cumulative additional commitments to the London CIV's

private market funds totaled £387.5m over the third quarter of 2021, with total commitments raised by the private market funds standing at £1.8bn as at 30 September 2021.

LCIV Passive Equity Progressive Paris Aligned (“PEPPA”) Sub Fund

Having undertaken a manager selection exercise in July 2021 the London CIV has selected an investment manager to manage the LCIV Passive Equity Progressive Paris Aligned (“PEPPA”) Sub Fund, a low carbon passive equity mandate, having initially sent an RFP to nine prospective managers. The Passive Equity Progressive Paris Aligned Fund is now ready for launch, having received FCA approval and having agreed the terms of the IMA with the investment manager. The PEPPA Sub Fund has attracted two initial investors with combined contributions of £495m, which the London CIV expects to be invested in the Fund by the end of 2021. The London CIV expects demand for the passive low carbon equity strategy to total between £0.9bn and £1.1bn.

The PEPPA Sub Fund’s investment objective is to track the performance of the S&P Developed Ex-Korea LargeMidCap Paris-Aligned Climate Index with a tracking error of less than 0.5% p.a. The Index has c. 800 holdings with no exposure to Korea or Emerging Markets. The Sub Fund will implement a low carbon factor-based investment approach, targeting the following factors: carbon intensity; climate alignment; green revenues; and ESG scoring, omitting coal, oil and gas, and all UN exclusions from the portfolio.

Personnel

As reported last quarter, on 12 July 2021, Yiannis Vairamis was appointed as Senior Equities Portfolio Manager. Yiannis has over 13 years of experience in the financial services industry, having previously been employed by Railpen, Russell and Hymans Robertson.

On 6 September 2021, London CIV appointed Rob Treich as Head of Public Markets. Rob joins the team having previously worked for Coal Pension Trustee, Mercer and Mellon Bank.

The London CIV is also looking to hire a Senior Portfolio Manager for Private Markets, alongside three analysts to work across the London CIV’s private market funds.

Additionally, over the quarter, Vanessa Shia, Head of Private Markets returned from maternity leave, while it was announced that Jacqueline Jackson, Head of Responsible Investment will take maternity leave from November 2021. The London CIV has confirmed that plans are in place for cover during Jacqueline’s period of leave.

Deloitte view – We are continuing to monitor developments on the business side as well as the new fund launches.

4.2 Morgan Stanley Investment Management

Business

The LCIV Global Equity Core Fund held assets under management of c. £552m as at 30 September 2021, an increase of c. £13m over the quarter.

The Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of c. \$4.5bn as at 30 September 2021, representing an increase of c. \$0.2bn over the third quarter of 2021 as a result of positive market movements.

Personnel

There were no significant team or personnel changes over the third quarter of 2021.

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

4.3 LGIM

Business

As at 30 June 2021, Legal & General Investment Management (“LGIM”) had assets under management (“AuM”) of c. £1,327bn, an increase of c. £48bn since 31 December 2020. Note, LGIM provides AuM updates biannually.

Personnel

Zahra Vinamnwala joined LGIM's Index team as an Investment Analyst over the quarter.

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

4.4 Ruffer

Business

As at 30 September 2021, Ruffer held c. £23.2bn in assets under management, an increase of c. £0.2bn over the quarter.

Personnel

Paula Walter, Ruffer's COO, officially left Ruffer on 30 September 2021. Ruffer has stated that there has been no change in the day-to-day running of the firm and Paula's executive responsibilities will, at least initially, be covered by two members of the Executive Committee. Ruffer has not yet decided whether to recruit a direct replacement for Paula.

On 6 July 2021, as reported last quarter, Aled Smith joined Ruffer as Deputy CIO. Aled will lead Ruffer's macro team and work alongside Henry Maxey and Jonathan Ruffer to help shape asset allocation. Aled joins Ruffer from J O Hambro Capital Management where he was an Investment Director. His primary responsibility included launching new funds and products and building a new asset management arm focused on responsible investing. As part of this move, Ruffer's responsible investment team now reports into Aled as Deputy CIO, further improving the ongoing integration of Ruffer's responsible investment efforts and investment process.

Additionally, Franziska Jahn-Madell, Responsible Investment Director, left Ruffer over the quarter to join a competitor. Throughout Fran's time at Ruffer, she built a responsible investment team beneath her and worked to embed ESG considerations within Ruffer's research and investment process. Ruffer's engagement and stewardship processes will continue to be driven by Alexia Palacios and Lorena Cebuc, who have been working alongside Fran. As noted above, the responsible investment team now reports to Deputy CIO, Aled Smith.

Lastly, David Ballance, co-manager of the Absolute Return Fund since 2006 and leading member of Ruffer's institutional client team, has announced his intention to retire on 31 March 2022. Jos North, who joined Steve Russell and David in managing the Absolute Return Fund in 2019 and sits on Ruffer's asset allocation committee, will continue to co-manage the strategy, while Henry Maxey and Jonathan Ruffer will continue to lead the investment process. Where David leads individual client relationships, these will be transitioned across Ruffer's institutional team with the process commencing in the coming weeks.

Deloitte view – The Ruffer product is distinctive within the universe of diversified growth managers with the manager willing to take contrarian, long term positions, where necessary drawing on the expertise of external funds. We will continue to monitor the Absolute Return Fund and the portfolio management team going forward following David Ballance's departure, but we are comfortable that the portfolio management team, supported by Henry Maxey and Jonathan Ruffer, continues to be appropriate.

4.5 PIMCO

Business

PIMCO held c. £1.7tn in assets under management as at 30 September 2021, an increase of c. £0.1tn over the quarter. The LCIV Global Bond Fund had assets under management of c. £496m as at 30 September 2021, remaining relatively unchanged over the quarter.

Personnel

There were no significant personnel changes to the Global Bond Fund over the third quarter of 2021.

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. \$119bn as at 30 June 2021, representing an increase of c. \$10bn since 31 December 2020. Note, Partners Group provides AuM updates biannually.

Multi Asset Credit

As at 30 September 2021, the Partners Group MAC Fund had a net asset value of c. £43.5m, a decrease of c. £22.3m since the previous quarter end valuation at 30 June 2021 despite positive portfolio returns over the quarter, as a result of a combined £25.0m of distributions issued back to investors over the quarter.

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 three further distributions over the quarter, as mentioned above, which combined totaled £25.0m across all investors. The London Borough of Hammersmith & Fulham Pension Fund received a total of c. £4.9m from these distributions combined.

Direct Infrastructure

As at 30 September 2021, the Direct Infrastructure Fund had drawn down c. 68% of its total €1,081m commitment value for investment, with c. 101% of the total Direct Infrastructure Fund's portfolio committed to investment opportunities as at 30 September 2021.

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 (“ASI”) Multi-Sector Private Credit Fund commitment value stood at £194m as at 25 October 2021, an increase of c. £28m since 30 June 2021.

ASI expects a further c. £18m in commitments to be added to the MSPC Fund around April 2022.

The MSPC Fund has a robust indicative pipeline of private credit assets and has closed on one senior mixed used commercial real estate asset over the third quarter of 2021, and one business services private placement debt asset and one construction equipment leasing company private placement debt asset following quarter end.

Personnel

There were no significant team or personnel changes to the Multi-Sector Private Credit Fund over the third quarter of 2021.

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 (“OHA”) held assets under management of c. \$53bn as at 1 August 2021, remaining relatively unchanged since 1 May 2021.

As at 30 September 2021, the Diversified Credit Strategies Fund's net asset value stood at c. \$5.0bn, remaining relatively unchanged over the quarter. The Diversified Credit Strategies Fund saw approximately \$52m of net cash inflows during the third quarter of 2021.

On 28 October 2021, OHA announced that the firm had entered into an agreement to be acquired by T. Rowe Price, Inc. (“T. Rowe Price”), a global asset management firm with c. \$1.6tn in assets under management. OHA has confirmed that the transaction will not change OHA's day-to-day operations, and that OHA will operate as a standalone business within T. Rowe Price, remaining under the OHA brand. There will also be no change to the team managing the Diversified Credit Strategies Fund and there will be no redundancies as part of the transaction. Glen August will remain as CEO of OHA and will join the Board of T. Rowe Price and all OHA partners will sign 5-year employment agreements.

Personnel

At Managing Director level and above, OHA saw two new joiners and one leaver over the third quarter of 2021. Pooja Vivek joined as Managing Director in the Consumer Sector team and Prasanth Nair joined as Managing Director in the Structured Financing and Capital Markets team, while Jared Weisman, Managing Director in the Distressed team, left OHA over the quarter.

Deloitte view – We are comfortable with how the strategy is being managed and the level of risk within the strategy. We have a meeting scheduled with OHA to discuss the recent acquisition and will monitor developments closely.

4.9 Aviva Investors

Business

The Aviva Investors Infrastructure Income Fund (the “AIIIF”) had a total subscription value of c. £1,292m as at 30 September 2021, an increase of c. £25m over the third quarter of 2021. As at 30 September 2021, the undrawn amount for the AIIIF was £25m, following an additional commitment from an existing investor.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2021, with one new associate, Spyridon Kazianis, joining the team over the three-month period.

In addition, as reported last quarter, Aviva Investors is also currently undertaking hiring processes for two Directors.

Deloitte View – Further change and instability within the AIIIF team is a concern following the loss of Ian Berry in December 2019, particularly the loss of another Director over the second quarter of 2021. However, the AIIIF is almost entirely invested and the assets within the portfolio will be held until maturity so the loss of senior originators within the team is not expected to have a significant impact on the existing asset portfolio given the soft close of the fund. The asset management team servicing the existing portfolio of investments remains strong and unchanged which provides some comfort to existing investors. Any leavers from the asset management team would be a cause for concern.

4.10 Aberdeen Standard Investments – Long Lease Property

Business

As at 30 September 2021, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £3.3bn, increasing by c. £0.1bn since 30 June 2021.

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 4 November 2021, the Long Lease Property Fund had collected 98.9% of its Q3 2021 rent with none of the Long Lease Property Fund’s rental income subject to deferment arrangements.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2021.

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

4.11 Alpha Real Capital

Business

As at 30 September 2021, Alpha Real Capital’s total assets under management stood at £4.4bn.

The Alpha Real Capital Index Linked Income Fund's net asset value stood at £1,767m as at 30 June 2021, with the Fund's NAV as at 30 September 2021 not yet available. Alpha Real Capital expects to be able to draw down the London Borough of Hammersmith & Fulham's commitment over the first quarter of 2022.

Personnel

There were no significant personnel changes over the third quarter of 2021.

Deloitte view – We continue to rate Alpha Real Capital for its ground rent property capabilities.

4.12 Man GPM

Business

Man GPM held a total of c. \$3.5bn in assets under management as at 30 September 2021, including commitments and dry powder, an increase of c. \$0.1bn over the quarter. The Community Housing Fund's NAV stood at c. £14.9m as at 30 June 2021, with the Fund's NAV at 30 September 2021 not yet available.

As at 30 September 2021, commitments to the Community Housing Fund totaled £135m, with no new commitments received over the quarter. The Fund's total capacity is £400m. Man GPM issued a £1.5m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 12 July 2021, a £1.3m capital call on 30 August 2021 and a £2.3m capital call on 10 September 2021.

Following quarter end, on 26 October 2021, Man GPM issued a further capital call to the London Borough of Hammersmith & Fulham Pension Fund for £1.1m. Following payment, the Fund's total commitment is c. 32% drawn for investment.

Personnel

There were no significant personnel changes over the quarter to 30 September 2021.

Following quarter end, in October 2021, Poly Bradshaw joined Man GPM as a dedicated Project Manager, reflecting Man GPM's commitment to building out the team over time. Poly has joined from London & Quadrant and will be immediately involved in the ongoing delivery of all sites in contract.

Deloitte view – We continue to rate Man GPM for its affordable housing capabilities.

5 London CIV

5.1 Investment Performance to 30 September 2021

The assets under management within the 14 sub-funds of the London CIV was £12,575m as at 30 September 2021, with a further combined £1.8m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the CIV platform) decreased by c. £0.8bn to c. £25.9bn 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 June 2021 (£m)	Total AuM as at 30 Sept 2021 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	3,521	2,730	11	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	501	1,377	6	13/04/21
LCIV Global Equity	Global Equity	Newton	769	787	3	22/05/17
LCIV Global Equity Core Fund	Global Equity	Morgan Stanley Investment Management	539	552	2	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	930	964	5	17/07/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	513	582	7	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	971	1,246	8	18/04/18
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	449	430	3	11/03/20
LCIV Global Total Return	Diversified Growth Fund	Pyrford	244	244	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	689	695	7	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,122	1,117	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	226	181	2	16/12/16
LCIV MAC	Fixed Income	CQS	1,160	1,174	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	496	496	5	30/11/18
Total			12,130	12,575		

Over the quarter to 30 September 2021, three investors transferred a total of £578m from the LCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris Aligned Fund, with a further additional new investor added to the LCIV Global Alpha Growth Paris Aligned Fund over the three-month period, funded from assets held outside of the London CIV platform.

Additionally, over the quarter, two London Boroughs invested into the LCIV Sustainable Equity Sub Fund and an additional London Borough invested in the LCIV Emerging Market Equity Fund, while one London Borough disinvested from the LCIV Real Return 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 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	2.4	11.7
Benchmark (MSCI World Net Index)	1.4	22.2
Global Franchise Fund (net of fees)	3.6	13.0
Net Performance relative to Benchmark	1.0	-10.5

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

Over the quarter to 30 September 2021, the LCIV Global Equity Core Fund delivered a positive return of 2.4% on a net of fees basis, outperforming the MSCI World Net Index by 1.0%. Over the longer twelve-month period to 30 September 2021, the strategy has underperformed its benchmark by 10.5%, delivering a positive absolute return of 11.7% on a net of fees basis.

The LCIV Global Equity Core Fund’s portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. Underperformance relative to the MSCI-based benchmark over the year can therefore primarily be attributed to a cyclical-led recovery in equity markets.

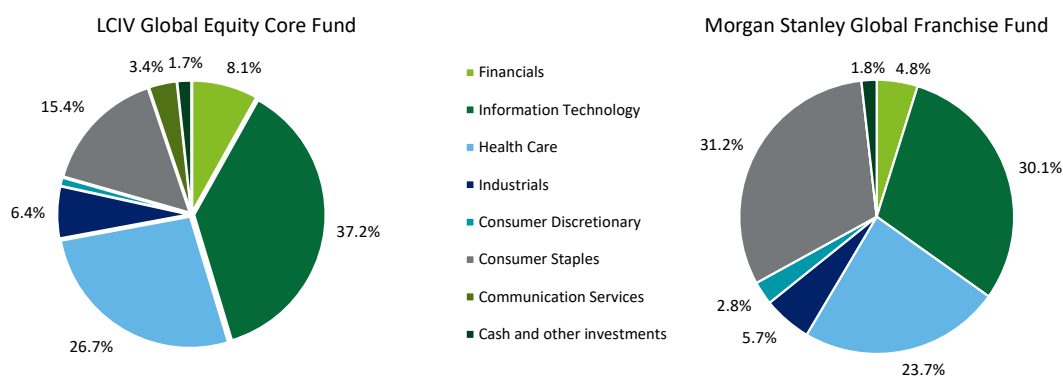
The portfolio is, however, expected to prove beneficial during volatile periods. Over the quarter to 30 September 2021, the wider global equity market delivered modest returns in comparison with recent periods with increased inflationary worries driving a reduction in earnings expectations. In this scenario, the strategy has outperformed the wider market with the stable earnings profile and high-quality characteristics of the underlying stocks proving favourable, relative to cyclical companies.

Over the quarter to 30 September 2021, the Global Equity Core Fund’s healthcare and communications services exposures were the best performers. Particularly, both Danaher and Thermo Fisher have proven to be more resilient than expected, with the manager initially concerned that activity levels would reduce as the volume of COVID-related work declined.

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 its key focus on sustainability. As such, there exists a number of small differences in the characteristics of the two funds. Over the quarter to 30 September 2021, the LCIV Global Equity Core Fund underperformed the Global Franchise Fund by 1.2%, with underperformance largely attributed to a lower allocation to consumer staples companies, with beverage and tobacco companies benefitting from increased global social activity, having been adversely impacted by previous social distancing measures.

6.2 Portfolio Sector Breakdown at 30 September 2021

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 30 September 2021.



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 intentional tilt towards sustainable investments.

As at 30 September 2021, the Global Franchise Fund portfolio held an allocation of c. 11% to 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 30 September 2021, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	38	31
No. of Countries	7	5
No. of Sectors*	6	6
No. of Industries*	18	13

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 47.7% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	7.5
Visa	5.3
SAP	5.1
Reckitt Benckiser	5.0
Accenture	4.7
Baxter International	4.3
Becton Dickinson	4.2
Danaher	4.0
Thermo Fisher Scientific	3.9
Abbott Laboratories	3.8
Total	47.7*

Global Franchise Fund Holding	% of NAV
Microsoft	9.5
Philip Morris	8.4
Reckitt Benckiser	6.5
Visa	5.2
Danaher	4.8
Accenture	4.8
Thermo Fisher Scientific	4.7
Procter & Gamble	4.5
SAP	4.5
Abbott Laboratories	4.3
Total	57.2*

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Eight 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 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	2.4	23.7
Benchmark (MSCI World Low Carbon Target)	2.5	23.9
MSCI World Equity Index	2.6	24.0
Net Performance relative to Benchmark	0.0	-0.1

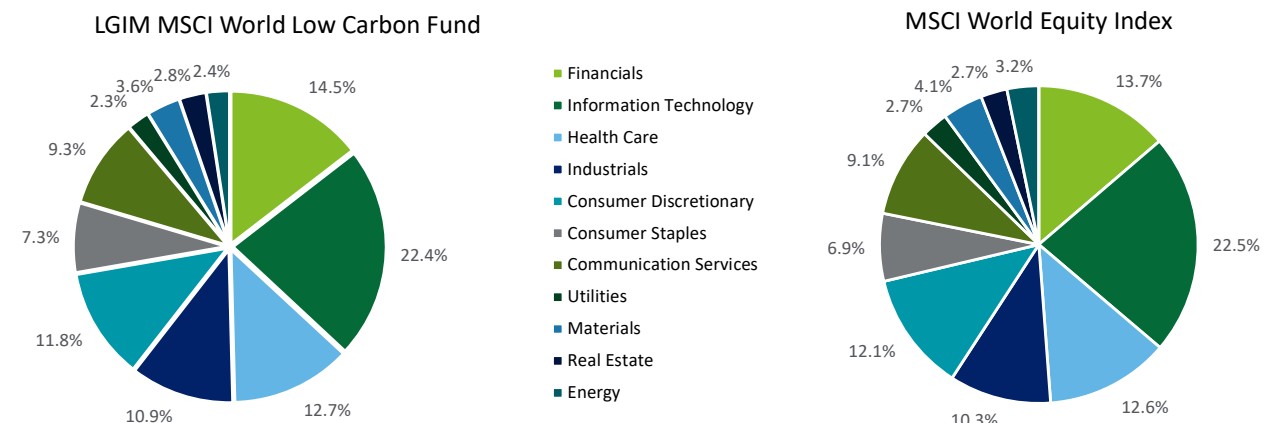
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

Over the third quarter of 2021, the LGIM MSCI World Low Carbon Index Fund delivered a positive absolute return of 2.4% on a net of fees basis, slightly underperforming its benchmark and the MSCI World Equity Index benchmark.

The LGIM MSCI World Low Carbon Index Fund delivered a strong positive absolute return of 23.7% on a net of fees basis over the one-year-period to 30 September 2021, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1%, while underperforming the broader MSCI World Equity Index by 0.3% on a net of fees basis over the year. The Fund’s large positive absolute return over the year can be attributed to the widely sustained recovery in global equity markets following the onset of the COVID-19 pandemic over the first quarter of 2020, with global equity markets delivering positive returns over each of the four separate quarters to 30 September 2021.

7.2 Portfolio Sector Breakdown at 30 September 2021

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 30 September 2021.



Source: LGIM

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

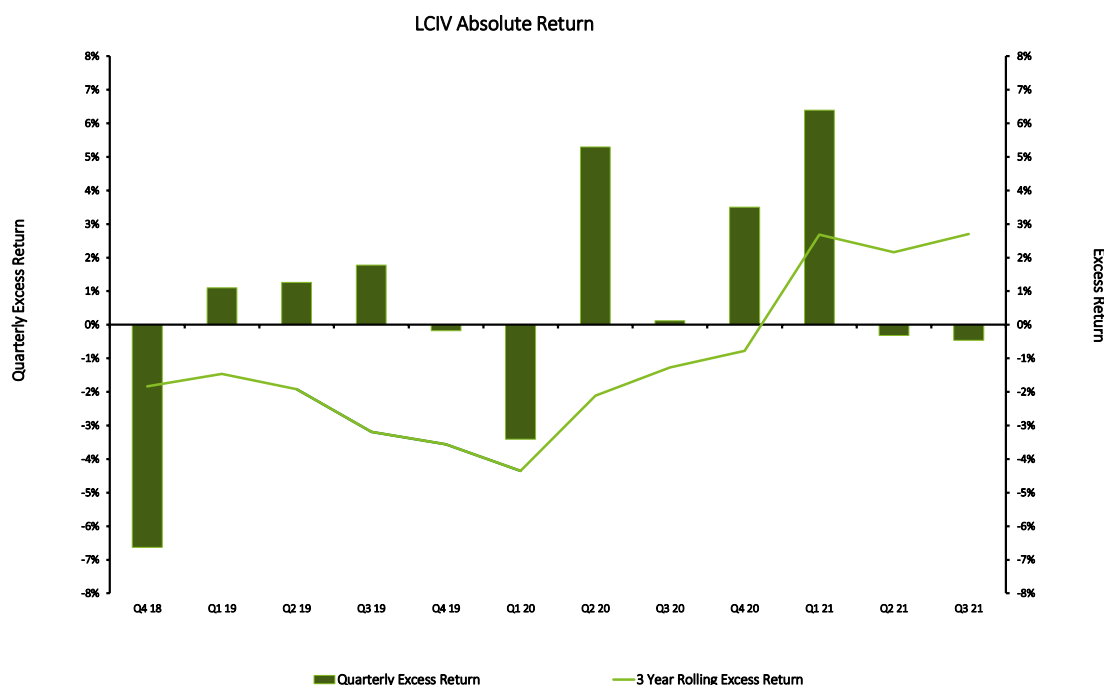
8 LCIV – Absolute Return

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 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.5	13.6	7.2	4.7
Target	1.0	4.1	4.5	4.5
Net performance relative to Target	-0.5	9.5	2.7	0.2

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



The Absolute Return Fund returned 0.5% on a net of fees basis over the quarter to 30 September 2021, underperforming its LIBOR+4% target by 0.5%. The strategy has delivered a strong absolute return of 13.6% on a net of fees basis over the year to 30 September 2021, outperforming its target by 9.5%. Over the longer three and five year periods to 30 September 2021, the strategy has delivered positive returns of 7.2% p.a. and 4.7% p.a. respectively on a net of fees basis, outperforming the LIBOR-based target by 2.7% p.a. and 0.2% p.a. respectively.

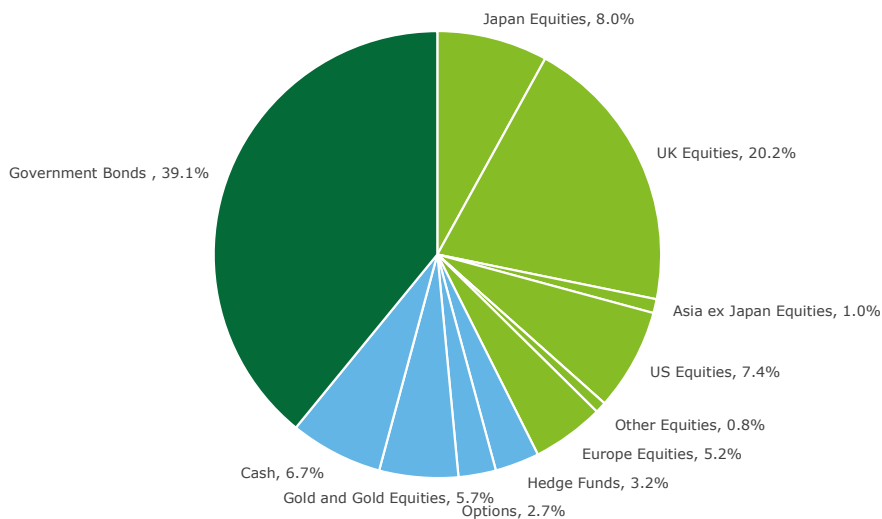
Over a volatile quarter, the Absolute Return Fund generated an overall modest positive return on an absolute basis with the strategy’s inflation-linked bonds delivering positive returns over the first two months of the quarter as bond yields fell slightly and inflation expectations were tempered by central banks, partially offset by the portfolio’s downside protection option strategies. While heightened inflationary concerns led to the portfolio’s downside protection option strategies boosting performance in September, alongside selective energy and financials equity exposures, with the portfolio’s interest rate options and energy stock exposure strategically raised in August in time to take part in the oil price and natural gas price surge.

In late August, the manager took profits on the portfolio’s long-dated UK inflation-linked bonds to reduce the fund’s bond positioning which, combined with the effects of increasing the exposure to protection strategies against higher bond yields, reduced the portfolio net duration to zero.

The strategy’s gold and gold equities exposure provided the largest detraction to performance over the quarter. Overall, bond yields rose over the three-month period to 30 September 2021, which coupled with an appreciating US dollar led to a decline in gold pricing, with gold mining equities underperforming the gold price.

8.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 30 September 2021.



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 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	0.1	2.5
Benchmark	0.0	1.2
Net Performance relative to Benchmark	0.1	1.3

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

The LCIV Global Bond Fund delivered an absolute return of 0.1% on a net of fees basis over the quarter to 30 September 2021, outperforming the Barclays Aggregate – Credit Index Hedged (GBP) Index by 0.1%. Over the year to 30 September 2021, the strategy delivered a positive return of 2.5%, outperforming the benchmark by 1.3%.

With government bond yields rising over the third quarter of 2021, driven by higher inflation expectations and widespread belief that monetary policy may be tightened, credit spreads were steady as a result of robust corporate earnings. As such, the wider credit market delivered a marginal positive return over the three-month period, with the Global Bond Fund, albeit marginally, outperforming its peers owing primarily to the portfolio's overweight positioning and positive credit selection in financials. The strategy's overweight European subordinated bank debt exposure in particular provided a positive contribution to outperformance, alongside the strategy's REIT positions with the manager adding exposure to property companies over the course of the year.

The Global Bond Fund's additional exposure to spreads gained through futures contracts also contributed to outperformance, however, the strategy's exposure to emerging market debt detracted from returns following the deteriorating outlook for Chinese real estate developers. PIMCO reduced the strategy's duration over the quarter, which proved beneficial as yields rose across the curve, while the strategy's security selection also added value over the quarter, particularly within the transportation sector as economies continued to reopen.

The strategy experienced no defaults over the quarter, although 4 issues, representing c. 0.1% of the portfolio, were downgraded to sub-investment grade over the period. These four securities are issued by the same corporate issuer, Standard Industries Inc., whose credit rating was downgraded by S&P from BBB- to BB+ citing the company's intention to distribute \$3.2bn in dividends to its parent. PIMCO recommendation is to continue holding the position, as a result of the company's strong business performance with further upside likely to be realised, whilst noting that this recommendation may change if market conditions or company specific circumstances change. 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 per its mandate.

9.2 Performance Analysis

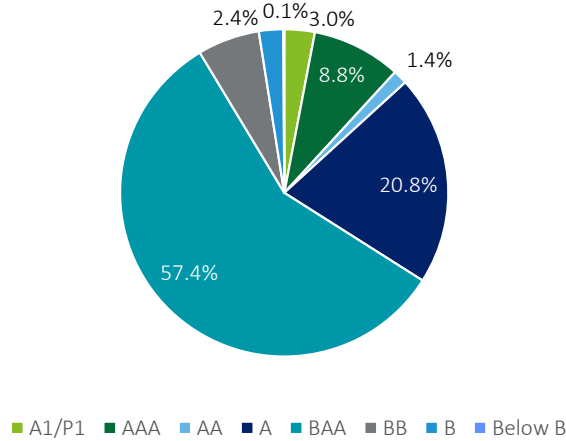
The table below summarises the Global Bond portfolio's key characteristics as at 30 September 2021.

	30 June 2021	30 Sept 2021
No. of Holdings	1,047	1,113
No. of Countries	45	48
Coupon	2.60	2.85
Effective Duration	7.22	6.82
Rating	A-	BAA+
Yield to Maturity (%)	2.39	2.60

Source: London CIV

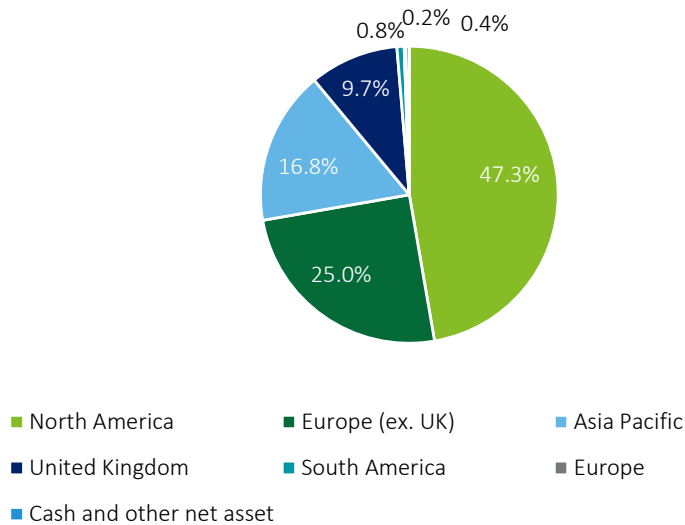
The number of holdings in the portfolio increased by 66 over the quarter, with the Global Bond Fund continuing to participate in an increased level of corporate debt issuance. After opting to increase the strategy’s overall duration positions over the second quarter of 2021, PIMCO decreased the portfolio’s effective duration position over the quarter by 0.4 years.

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund’s investment grade holdings made up c. 91.4% of the portfolio as at 30 September 2021, a decrease of 1.2% 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.

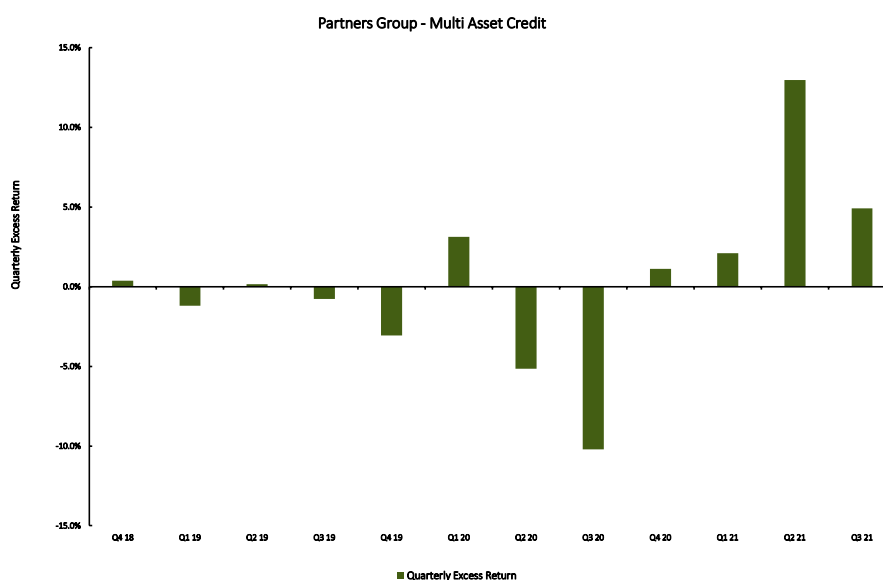
10 Partners Group – Multi Asset Credit

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 31 August 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	5.9	27.1	5.4	5.5
Benchmark / Target	1.0	4.1	4.5	4.5
Net performance relative to Benchmark	4.9	23.0	0.9	1.1

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



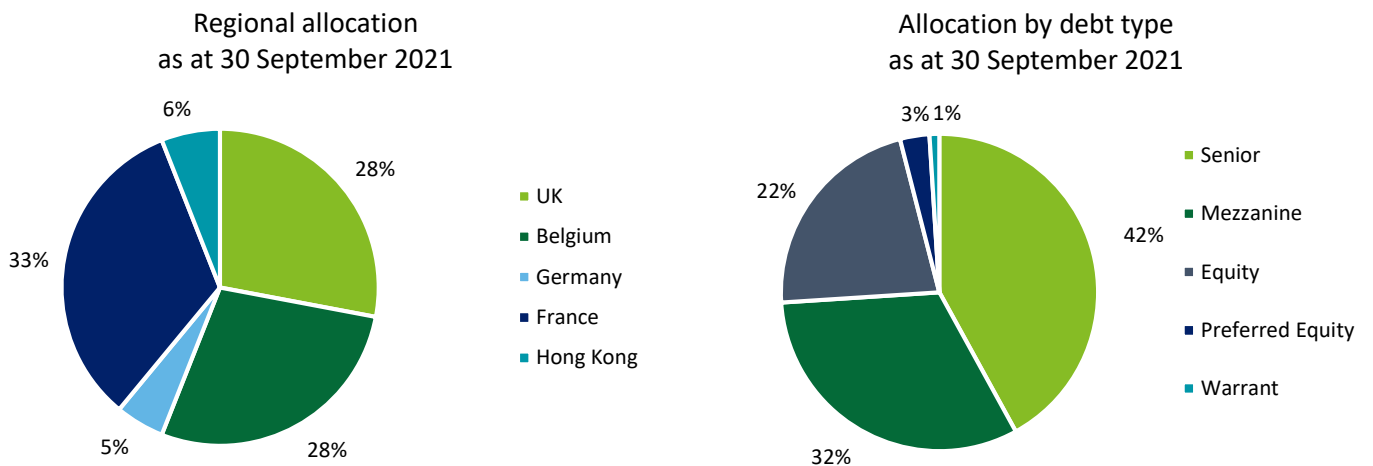
Please note, performance shown is to 31 August 2021.

Over the three-month period to 31 August 2021, the Multi Asset Credit strategy delivered a positive return of 5.9% on a net of fees basis, outperforming its 3 Month LIBOR +4% benchmark by 4.9%.

The strategy has delivered a strong positive return of 27.1% on a net of fees basis over the year to 31 August 2021, outperforming its benchmark by 23.0%. The recent strong performance represents the rebound in performance of the strategy's tail investments which the Fund lifespan was extended for, which were initially particularly impacted by the economic restrictions caused by COVID-19, and have recently rebounded as anticipated following the recent reversal and easing of these restrictions in spring and summer 2021. An example of this has been Cote Bistro, the Fund's investment in a French restaurant chain in the UK, which experienced cashflow issues during lockdown and Partners Group performed a 'pre packed administration' to transfer its debt holding for an equity stake in the 'newco' in order to maintain the business, which has subsequently benefitted from the large pent-up demand to dine out after the lifting of restrictions, resulting in strong positive performance over the second quarter of 2021.

10.2 Asset Allocation

The charts below show the regional split and allocation by debt type of the Fund as at 30 September 2021.



Note: Based on information provided by Partners Group.

10.3 Fund Activity

The Partners Group Multi Asset Credit Fund had made 54 investments, of which 47 have been fully realised as at 30 September 2021 following one further full realisation and one partial realisation made over the third quarter of 2021.

The Fund’s three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors. In January 2021, Partners Group proposed a further three-year extension to allow more extended payback periods for a small group of (ten) tail investments whose cashflows have been particularly impacted by COVID-19 and require more time to recover to fully repay the loans extended to them.

The strategy has already returned over 90% of the capital and is expected to deliver an overall return on capital of c. 4%, in line with the 4-6% target return despite the unforeseen impact of COVID-19 – however this expected return is contingent on the tail investments above being given longer to repay.

This further three-year extension was formally approved in May 2021, and subsequent recent performance on the tail investments has been strong as these COVID-19/GDP sensitive investments have rebounded benefitting from the recent easing of economic restrictions over spring/summer 2021 as anticipated.

Over the third quarter of 2021, Partners Group issued three further distributions with c. £1.0m, c. £3.5m and c. £0.4m distributed to the London Borough of Hammersmith & Fulham Pension Fund on 29 July 2021, 7 September 2021 and 28 September 2021 respectively.

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 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	0.1	2.8
Benchmark / Target	-0.4	1.0
Net performance relative to Benchmark	0.4	1.8

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

Over the quarter to 30 September 2021, the ASI Multi Sector Private Credit Fund delivered a modest positive absolute return of 0.1% on a net of fees basis, outperforming the blended benchmark by 0.4%. Over the year to 30 September 2021, ASI returned 2.8% on a net of fees basis, outperforming the blended benchmark by 1.8%. 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 30 September 2021, 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.

Illiquid Investments

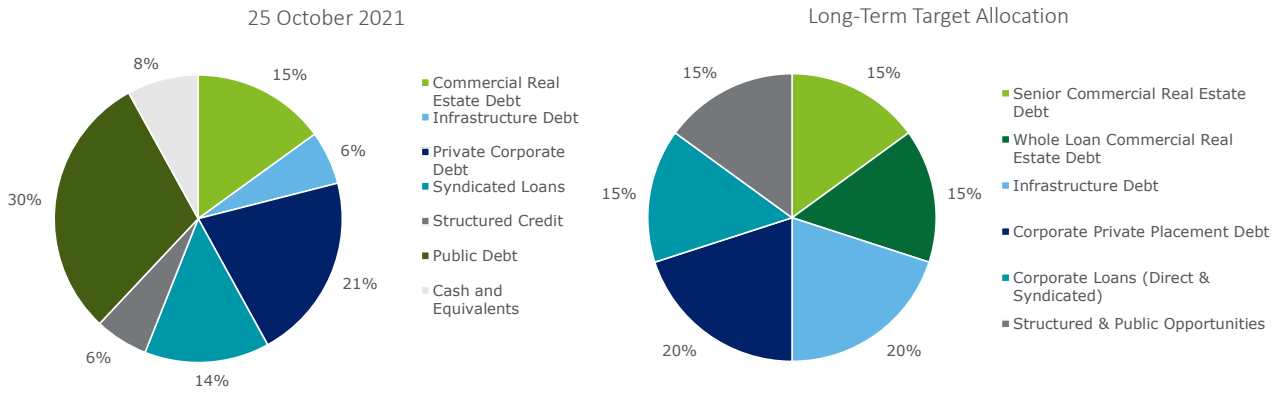
As at 25 October 2021, the MSPC Fund portfolio consists of 17 private assets:

- 2 infrastructure debt investments;
- 7 senior real estate debts investments;
- 1 whole loan real estate debt investment; and
- 7 private corporate debt investments.

ASI has a strong pipeline of opportunities with a further deal in documentation as at 25 October 2021, and expects the target allocation to be achieved over the fourth quarter of 2021.

Asset Allocation

As at 25 October 2021, 67% of the MSPC Fund portfolio has been invested in illiquid assets that make up the long term portfolio, while the remaining 33% of the portfolio remains invested in a liquid transition portfolio in order to avoid a cash drag where the Fund has not fully deployed its committed capital. The charts below compare the asset allocation as at 25 October 2021 with that of the long-term target allocation.



Source: Aberdeen Standard Investments

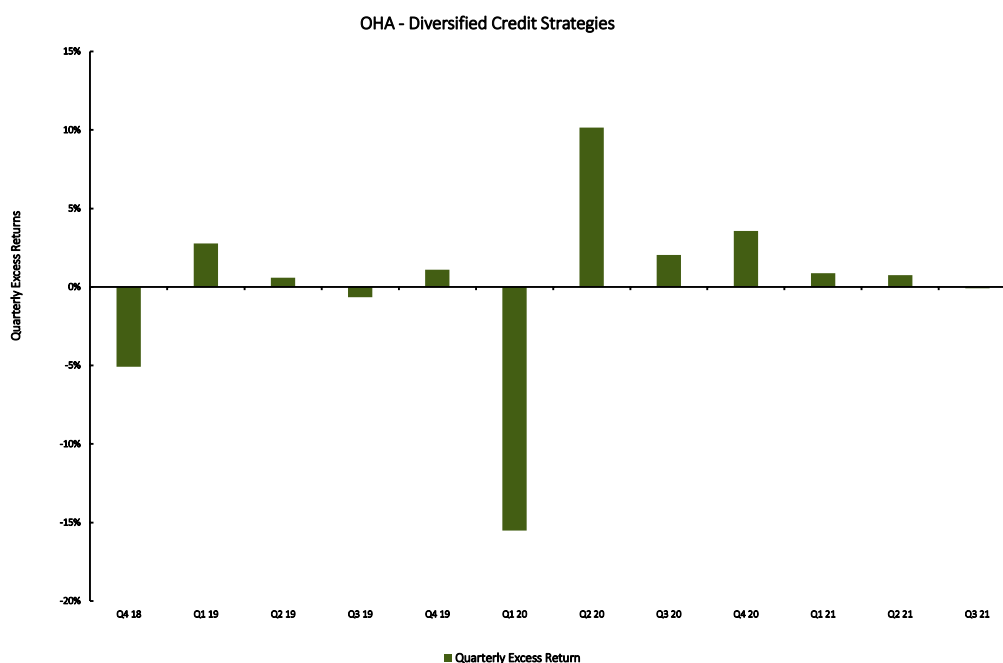
12 Oak Hill Advisors – Diversified Credit Strategies Fund

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 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.9	9.4	3.9	3.8
Benchmark / Target	1.0	4.1	4.5	4.5
Net Performance relative to Benchmark	-0.1	5.3	-0.5	-0.6

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



Over the third quarter of 2021, the Oak Hill Advisors Diversified Credit Strategies Fund delivered a positive absolute return of 0.9% on a net of fees basis, slightly underperforming its 3 Month Sterling LIBOR +4% p.a. benchmark by 0.1%. The strategy delivered a positive absolute return of 9.4% on a net of fees basis over the year to 30 September 2021, outperforming the benchmark by 5.3%. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

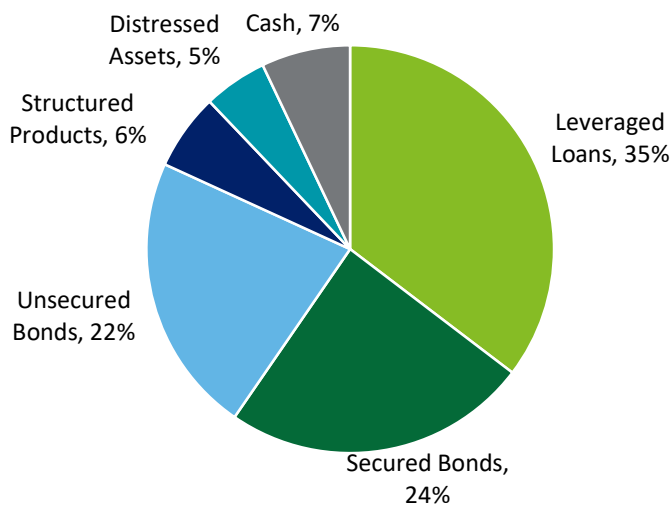
The strategy's high yield bonds and leveraged loans exposures continued to deliver positive returns over the third quarter of 2021, with US and European credit spreads remaining relatively stable as a result of robust corporate earnings, despite a rise in underlying bond yields.

The strategy's distressed assets exposures, having negatively impacted fund performance over 2020 owing to elevated default risk given the severity of the COVID-19 economic impact and the potential for further economic damage from the implementation of increased lockdown restrictions, have noticeably contributed to positive performance since the beginning of the calendar year as a result of the initial anticipation of and subsequent realisation of the relaxation in lockdown restrictions over the first half of 2021.

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 30 September 2021.



Source: Oak Hill Advisors

Over the quarter, the Diversified Credit Strategies Fund increased its allocation to unsecured bonds by 4% whilst decreasing both the portfolio’s allocation to leveraged loans and secured bonds by 2% each.

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 30 September 2021

Activity

There were no further acquisitions over the third quarter of 2021. As at 30 September 2021 the Partners Group Direct Infrastructure Fund had made 22 investments of which 3 have been fully realised.

The Direct Infrastructure Fund’s investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward.

As at 30 September 2021, the total capacity of the Partners Group Direct Infrastructure Fund was €1.08 billion. Of this, c. 101% has been committed to investments as at 30 September 2021, with 68% (c. €0.7bn) of the total capacity drawn down from investors as at 30 September 2021.

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 cause for concern regarding the Fund as a result of the COVID-19 pandemic.

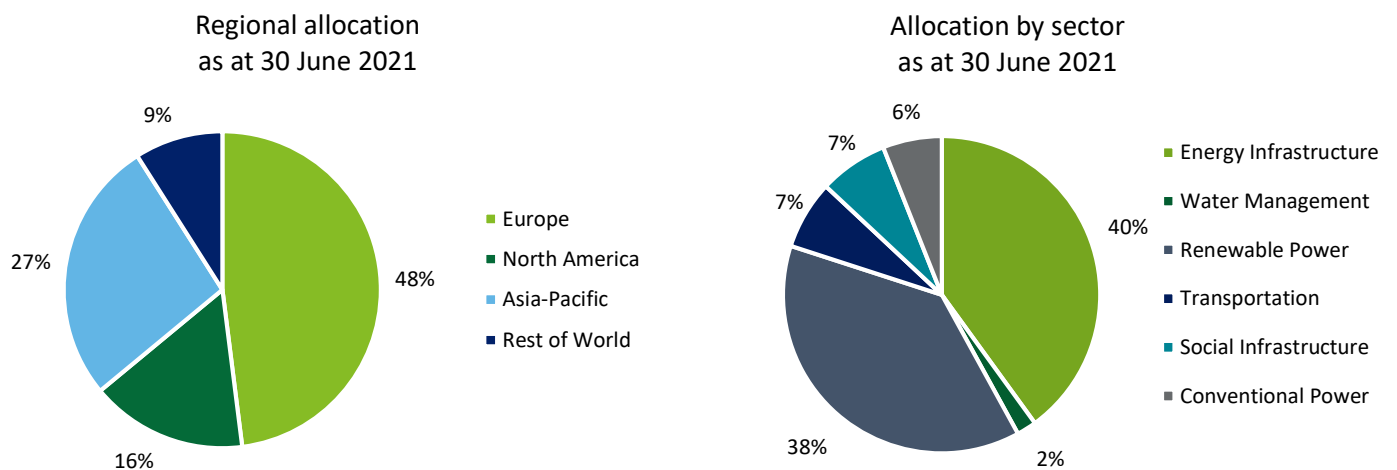
Capital Calls and Distributions

The Fund issued one capital call over the quarter to 30 September 2021:

- On 23 July 2021, the Fund issued a capital call for €21.6m, of which the London Borough of Hammersmith & Fulham Pension Fund was entitled to pay €1.1m.

13.2 Investments Held

The charts below show the regional split of the Direct Infrastructure Fund and a breakdown of the Fund by infrastructure sector as at 30 June 2021.



Note: Based on information provided by Partners Group.

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 June 2021

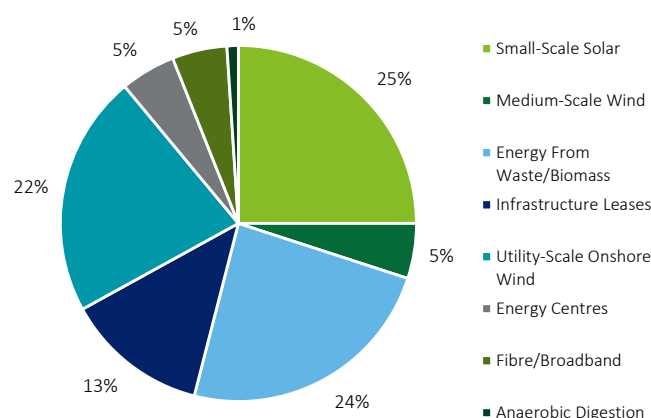
Over the third quarter of 2021, one of the strategy’s underlying assets, the Barry Biomass plant, has received an Enforcement Notice against the plant. The biomass plant, a wood incinerator, was authorised to begin construction in 2018 despite protests and petitions by locals in the Vale of Glamorgan area over pollution fears. Earlier in 2021, it was recognised that there had been some inconsistencies between the approved design of the plant and what had actually been built, with Aviva committing to address and resolve the issues and operations recommenced in August. On 1 September, as a result of these inconsistencies, the local council issued the aforementioned Enforcement Notice against the plant which, when served, will give the plant 28 days to remedy the planning breaches or appeal the notice. Aviva expects to appeal the notice. Aviva has stated its belief that the plant will only be removed if Aviva does not work to resolve the issues, which Aviva is working to do.

In addition, a construction stage Energy from Waste project has experienced supply chain disruption and delays in recent periods as a result of the COVID-19 pandemic and the corresponding lockdown procedures. Aviva is currently reviewing the project’s business plan with the main contractor. Also, management of the ongoing legal dispute with the Fund’s former contractor on three biomass assets continues, with the process timetable delayed and the final hearing for all three plants expected to take place in 2023.

The income distribution of the Fund was 6.4% over the year to 30 June 2021, which sits just below the 7-8% p.a. range targeted by Aviva, with the decrease in yield attributed to identified commissioning defects in the Fund’s biomass assets, with these assets therefore not currently operating at full capacity, leading to a revision of Aviva’s construction timeline. Distributions are underpinned by operational revenue generated from the Fund’s assets. Aviva has confirmed that a rectification programme is in place. It is expected that the plants will operate on an improving intermittent basis for the remainder of 2021 and early 2022, with the plants not expected to operate at full capacity until Q3 2022. Once these assets reach their specified capacity, the associated revenues will increase accordingly, and distributions are expected to return to within Aviva’s target range of 7-8% p.a.

Sector Breakdown

The chart below shows the split of the portfolio by sector as at 30 June 2021.



Source: Aviva Investors.

Small-scale solar and utility-scale onshore wind make up c. 47% of the portfolio.

Transactions and Pipeline

The Infrastructure Income Fund received an additional £25m commitment from an existing investor over the quarter.

Aviva did not complete any transactions over the third quarter of 2021 but there exists c. £175m of existing contractual commitments and obligations within the Fund, across three energy from waste assets, two infrastructure leases, one energy centre – all in the construction phase, and three operational fibre/broadband assets.

Ahead of the soft close of the Fund, Aviva has had verbal confirmation from existing investors looking to commit additional capital, with a number of other existing investors agreeing to re-invest income, in order to satisfy the £175m of pre-agreed contractual commitments. We are awaiting further information and confirmation of this.

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 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	4.2	9.6	6.5	7.8
Benchmark / Target	-1.3	-4.7	5.0	3.2
Net Performance relative to Benchmark	5.5	14.3	1.4	4.6

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

Over the quarter to 30 September 2021, the ASI Long Lease Property Fund delivered an absolute return of 4.2% on a net of fees basis, outperforming the FT British Government All Stocks Index Benchmark by 5.5%.

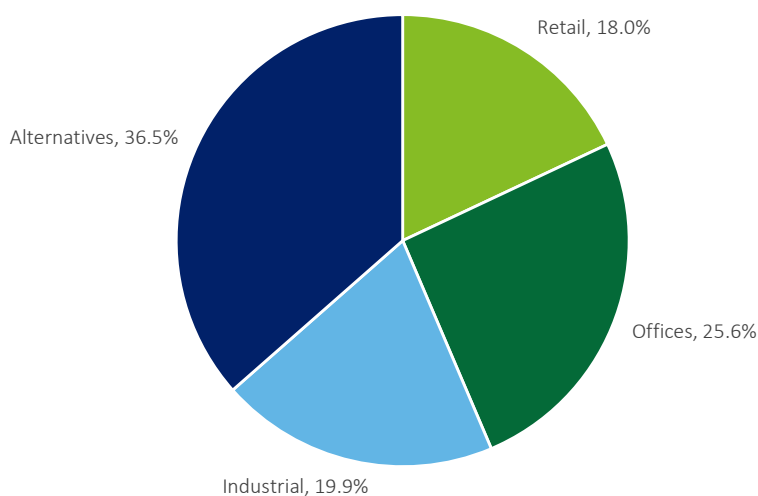
The Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 0.4% over the third quarter of 2021, largely as a result of the strategy’s underweight position to the industrial sector, relative to the wider property market, which delivered positive returns over the third quarter of 2021.

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 statistics improved slightly over the third quarter of 2021 as ASI realised Q3 collection rates of 98.9% (as at 4 November 2021). Over the third quarter of 2021, none of the Long Lease Property Fund’s rental income was subject to deferment arrangements, with 1.1% unpaid or subject to ongoing discussions with tenants. As at 4 November 2021, ASI had collected 98.6% of its Q4 2021 rent, with no income subject to deferment arrangements and 1.4% of rent unpaid or subject to ongoing discussions with tenants.

15.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 September 2021 is shown in the graph below.



Source: ASI.

At the time of writing, ASI has not been able to provide a detailed breakdown of the Long Lease Property Fund's assets as at 30 September 2021, or confirmation of any transactions that have taken place over the third quarter of 2021.

Q3 and Q4 2021 rent collection, split by sector, as at 4 November 2021 is reflected in the table below:

Sector	Proportion of Fund as at 30 September 2021 (%)	Q3 2021 collection rate (%)	Q4 2021 collection rate (%)
Alternatives	6.0	100.0	100.0
Car Parks	3.7	100.0	100.0
Car Showrooms	3.2	100.0	100.0
Hotels	7.8	90.1	90.1
Industrial	14.7	100.0	100.0
Leisure	3.3	90.0	95.0
Public Houses	5.5	100.0	100.0
Offices	29.6	100.0	100.0
Student Accommodation	8.1	100.0	94.0
Supermarkets	18.2	100.0	100.0
Total	100.0	98.9	98.6

As at 30 September 2021, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the ASI Ground Rent Fund, with 17.1% of the Fund invested in income strip assets.

The hotels and leisure sectors have expressed the poorest rental collection statistics over the third and fourth quarters of 2021 as at 4 November 2021, with the student accommodation sector also expressing poor rental collection statistics over Q4 2021 as at 4 November 2021.

ASI has stated that the majority of the Long Lease Property Fund's underlying tenants have reverted to paying rent as per their lease terms, with no Q3 or Q4 2021 rental income subject to deferment arrangements as at 4 November 2021.

ASI has now collected over 99% of 2020 rents, and the majority of outstanding rent in 2021 has been reduced to a small number of tenants, including Marstons', continuing with monthly repayments for the time being with all rent expected to be collected in due course. There has been no write-off of any outstanding rent, or rent-free periods agreed.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 30 September 2021:

Tenant	% Net Income	Credit Rating
Whitbread	5.6	BBB
Viapath	5.0	AA
Tesco	4.9	BBB
Sainsbury's	4.6	BB
Marston's	4.4	BB
Asda	3.7	BBB
Salford University	3.6	A
Secretary of State for Communities	3.5	AA
QVC	3.4	BB
Lloyds Bank	3.3	AA
Total	41.9*	

*Total may not equal sum of values due to rounding

As at 30 September 2021, the top 10 tenants contributed 41.9% of the total net income of the Fund. Of which 13.2% 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 increased from 25.2 years as at 30 June 2021 to 25.7 years as at 30 September 2021. The proportion of income with fixed, CPI or RPI rental increases remained relatively unchanged over the quarter at 91.1%.

16 Alpha Real Capital

Alpha Real Capital was appointed to manage a ground rents mandate with the aim of outperforming the BoAML Long-Dated UK Inflation-Linked Gilts Index benchmark by 2.0% p.a. over a 5 year period. The manager has an annual management fee.

16.1 Index Linked Income – Illustrative Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	2.4	6.0	5.0
Benchmark / Target	2.8	2.3	8.3
Net Performance relative to Benchmark	-0.4	3.7	-3.3

Source: Alpha Real Capital. Relative performance may not tie due to rounding.

Note, Scheme investment not yet drawn – performance figures for illustrative purposes only.

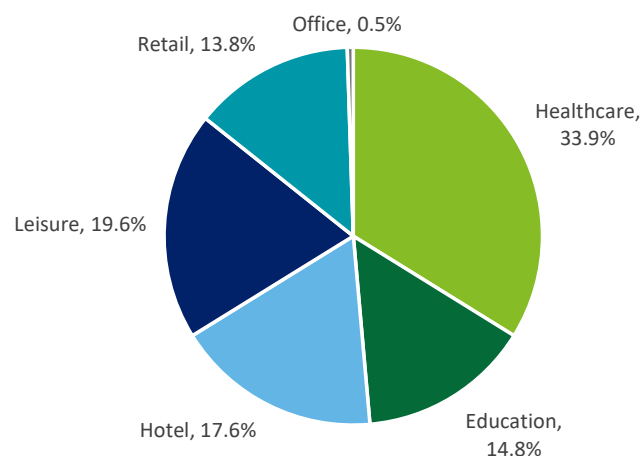
The London Borough of Hammersmith & Fulham's commitment has not yet been drawn for investment by Alpha Real Capital. The Fund's full £60m commitment is expected to be drawn and deployed during the first quarter of 2022. As such, please note that the performance of the Alpha Real Capital Index Linked Income Fund displayed in the table above is for illustration purposes only.

The Index Linked Income Fund has delivered a positive return of 2.4% on a net of fees basis over the quarter to 30 September 2021, but has underperformed its BoAML Long-Dated UK Inflation-Linked Gilts Index +2% by 0.4% with real yields falling over the third quarter of 2021.

Alpha Real Capital has collected c. 88% of the Fund's Q3 2021 rental income, remaining relatively unchanged compared to the second quarter of 2021, having agreed deferrals or holding active discussions with tenants concerning overdue rent. Where deferrals are agreed, extended credit charges are applied to the rents with an expectation that this income will be received in the short to medium term.

16.2 Portfolio Holdings

The sector allocation in the Index Linked Income Fund as at 30 September 2021 is shown in the graph below.



Source: Alpha Real Capital. Totals may not sum to 100% due to rounding.

Alpha Real Capital made no further acquisitions or sales over the third quarter of 2021. As at 13 October 2021, Alpha Real Capital is in the process of executing one further investment, a £75m portfolio of 99 UK pubs, with a further £1.6bn of opportunities under consideration across an extensive pipeline, diversified by sector and location.

The table below shows details of the top ten holdings in the Fund measured by value as at 30 June 2021 (note at the time of writing 30 September data was not available):

Tenant	Value (%)	Credit Rating
Leonardo Hotels	16.0	A1
Elysium Healthcare	12.0	Baa1
Parkdean	10.0	A3
HC One	8.5	A3
Dobbies Garden Centres	8.5	Baa2
PGL	6.0	Baa3
Away Resorts	5.6	Baa1
Busy Bees	4.4	A3
Kingsway Hall	4.1	A3
CareTech	3.9	Baa1
Total	79.0	

Source: Alpha Real Capital. Totals may not sum due to rounding.

The top 10 holdings in the Index Linked Income Fund accounted for c. 79.0% of the Fund as at 30 June 2021, with asset details as at 30 September 2021 not yet available at the time of writing.

The average lease length stood at 139 years as at 30 September 2021, remaining relatively unchanged over the quarter while the Index Linked Income Fund's portfolio continues to be 100% linked to RPI with no fixed rent reviews in the portfolio.

17 Man GPM

Man GPM was appointed to manage an affordable housing mandate following the manager selection exercise in February 2021. The manager has an annual management fee.

17.1 Community Housing Fund - Investment Performance to 30 September 2021

Capital Calls and Distributions

The Fund issued three capital calls over the quarter to 30 September 2021:

- Man GPM issued a £1.5m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 12 July 2021. The request consisted of c. £1.1m for investments and c. £0.5m for expenses;
- Man GPM issued a £1.3m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 30 August 2021, with the entire drawdown amount issued to fund investments; and
- Man GPM issued a £2.3m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 10 September 2021. The request consisted of c. £2.1m for investments and c. £0.2m for expenses.

As such, as at 30 September 2021, the London Borough of Hammersmith & Fulham Pension Fund's commitment was c. 29% drawn for investment.

Following quarter end, on 26 October 2021, Man GPM issued a further capital call for £1.1m to be paid by the London Borough of Hammersmith & Fulham Pension Fund, consisting entirely of capital drawn for investments into the portfolio. Following payment of this capital call, the London Borough of Hammersmith & Fulham Pension Fund's commitment was c. 32% drawn for investment.

Man GPM expects to draw capital into the Fund on a quarterly basis in addition to ad hoc drawdown requests to fund specific investments.

Activity

Man GPM agreed terms on one project over the third quarter of 2021:

- Campbell Wharf, Milton Keynes – a forward fund of 79 flats in a single block close to the city centre, with 100% affordable rent targeted at key worker and median income households. The investment has been completed and Man GPM is holding discussions on a 10 year operating lease to a local Housing Association. Gross project cost of £22m.

Following this investment, the Community Housing Fund has now committed c. £95m across four affordable housing assets, with a fifth site expected to complete in November 2021 which would increase the Fund's commitment level to c. £120m.

Man GPM has stated that all projects are proceeding broadly in-line with expectations.

Pipeline

At the time of writing, Man GPM has been unable to provide an updated list of pipeline opportunities. As at end July 2021, Man GPM's pipeline investment opportunities included a list of seven developments, including Campbell Wharf, with an estimated combined gross project cost of £278m where the manager is in negotiations with the vendor with an offer either accepted or preferred bidder status gained, alongside three favourable investment opportunities with an estimated combined gross project cost of £168m where Man GPM holds a positive view on returns and investment thesis, having completed initial due diligence, with an offer not yet accepted by the vendor.

17.2 Investments Held

The table below shows a list of the projects currently undertaken by Man GPM Community Housing Fund as at 30 June 2021.

Investment	Number of Homes	Number of Affordable Homes	Expected Total Commitment – Gross (£m)	Expected Total Commitment – Net (£m)	Total Capital Drawn and Invested to Date (£m)
Alconbury Weald	95	95 (100%)	22.4	12.0	4.8
Grantham	227	186 (82%)	38.0	17.0	4.8
Lewes	41	39 (95%)	12.9	10.5	1.2
Total	363	320 (88%)	73.3	39.5	10.8

Source: Man GPM

At the time of writing, Man GPM has been unable to provide an updated list of projects as at 30 September 2021. Therefore, the table above does not include Campbell Wharf, which was completed over the third quarter of 2021, and the total capital drawn and invested by the Community Housing Fund may have increased.

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
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
Alpha Real Capital	Ground Rents	5.0%	BoAML >5 Year UK Inflation-Linked Gilt Index +2.0%	17/05/21
Man GPM	Affordable / Supported Housing	2.5%	3 Month Sterling LIBOR +4% p.a. (Target)	02/06/21
TBC	TBC	2.5%	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 – Risk Warnings & Disclosures

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

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Pension Fund Current Account Cashflow Actuals and Forecast for period Jul - Sep-21

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-21	May-21	Jun-21	F'cast	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	2,963	4,626	6,376	8,565	7,216	7,068	6,219	4,871	4,322	5,474	6,126	5,577	£000s	£000s
Contributions	2,614	2,569	2,910	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	31,493	2,624
Pensions	(2,840)	(2,858)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(34,181)	(2,848)
Lump Sums	(650)	(872)	(839)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(7,781)	(647)
Net TVs in/(out)	(25)	85	228	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(2,412)	(201)
Net Expenses/other transactions	(435)	52	4,123	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	1,940	162
Net Cash Surplus/(Deficit)	(1,337)	(1,024)	3,574	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(10,922)	(910)
Distributions	0	2,773	614	-	800	500	-	800	500	-	800	500	7,288	607
Net Cash Surplus/(Deficit) including investment income	(1,337)	1,750	4,189	(1,348)	(548)	(848)	(1,348)	(548)	(848)	(1,348)	(548)	(848)	(3,634)	(303)
Withdrawals (to)/from Custody Cash	3,000	0	(2,000)		400	-	-		2,000	2,000	-	2,000	7,400	740
Balance c/f	4,626	6,376	8,565	7,216	7,068	6,219	4,871	4,322	5,474	6,126	5,577	6,729	3,766	437

Current account cashflow actuals compared to forecast in Jul - Sep-21

	Jul-21		Aug-21		Sep-21		Jul - Sep-21
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	2,614	2,600	2,569	2,600	2,910	293
Pensions	(2,833)	(2,840)	(2,833)	(2,858)	(2,833)	(2,848)	(46)
Lump Sums	(600)	(650)	(600)	(872)	(600)	(839)	(561)
Net TVs in/(out)	(300)	(25)	(300)	85	(300)	228	1,188
Expenses	(200)	(435)	(200)	52	(200)	4,123	4,340
Distributions	-	-	800	2,773	500	614	2,088
Withdrawals (to)/from Custody Cash	2,000	3,000	-	-	-	(2,000)	(1,000)
Total	667	1,663	(533)	1,750	(833)	2,189	6,301

Notes on variances

- transfers in and out are difficult to forecast given their unpredictable nature so a conservative outflow is maintained in the cashflow for prudence

- withdrawals from custody cash were predominately used to fund capital calls for Man GPM.

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Jul - Sep-21

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-21	May-21	Jun-21	F'cast	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	6,036	3,052	1,908	5,521	8,021	6,121	5,921	7,921	9,921	10,721	8,721	10,721	£000s	£000s
Sale of Assets	5,000	0	0			1,000		2,000	2,000		2,000	2,000	14,000	1,750
Purchase of Assets	(6,033)	(1,267)	(2,309)		(1,500)	(1,200)			(1,200)				(13,509)	(2,251)
Net Capital Cashflows	(1,033)	(1,267)	(2,309)	0	(1,500)	(200)	0	2,000	800	0	2,000	2,000	491	41
Distributions	1,049	123	3,922	2,500	-	-	2,000	-	2,000	-	-	1,000	12,594	1,049
Interest	(0)	(0)	(0)										(0)	(0)
Management Expenses	0	0	0										0	0
Foreign Exchange Gains/Losses	0	0	0										0	0
Class Actions	0	0	0										0	0
Net Revenue Cashflows	1,049	123	3,922	2,500	0	0	2,000	0	2,000	0	0	1,000	12,594	1,049
Net Cash Surplus/(Deficit) excluding withdrawals	16	(1,144)	1,613	2,500	(1,500)	(200)	2,000	2,000	2,800	0	2,000	3,000	13,085	1,090
Contributions to Custody Cash	2,000	0	2,000											
Withdrawals from Custody Cash	(5,000)	0	0	0	(400)	0	0	0	(2,000)	(2,000)	0	(2,000)	(11,400)	(950)
Balance c/f	3,052	1,908	5,521	8,021	6,121	5,921	7,921	9,921	10,721	8,721	10,721	11,721	1,685	140

London Borough of Hammersmith and Fulham Pension Fund Risk Register														
Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Previous risk score	Current risk score	Trending	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
			Fund	Employers	Reputation	Total								
Asset and Investment Risk	1	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	5	4	1	10	3	40	30	↓	2	20	23/09/2021	
Asset and Investment Risk	2	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty.	5	4	1	10	3	40	30	↓	3	30	23/09/2021	
Asset and Investment Risk	3	Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy.	4	3	1	8	4	32	32	↔	2	16	23/09/2021	
Liability Risk	4	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.	5	4	3	12	3	36	36	↔	2	24	23/09/2021	
Asset and Investment Risk	5	The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	5	4	3	12	2	24	24	↔	2	24	23/09/2021	
Asset and Investment Risk	6	Investment managers fail to achieve benchmark/outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.1m.	5	3	2	10	3	33	30	↓	2	20	23/09/2021	

Asset and Investment Risk	7	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	30	30	↔	<p>TREAT</p> <p>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.</p> <p>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation.</p> <p>3) Actuarial valuation and strategy review take place every three years post the actuarial valuation.</p> <p>4) IAS19 data is received annually and provides an early warning of any potential problems.</p> <p>5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.</p>	2	20	23/09/2021
Asset and Investment Risk	8	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	3	18	18	↔	<p>TOLERATE</p> <p>1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences.</p> <p>2) Officers engage in early planning for implementation against agreed deadlines.</p> <p>3) Uncertainty surrounding new MHCLG guidance</p>	3	18	23/09/2021
Asset and Investment Risk	9	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	24	24	↔	<p>TREAT</p> <p>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.</p> <p>2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.</p>	2	16	23/09/2021
Liability Risk	10	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	16	↔	<p>TOLERATE</p> <p>1) Barnet Waddingham uses prudent assumptions on future of employees within workforce.</p> <p>2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund.</p> <p>3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.</p>	2	16	23/09/2021
Asset and Investment Risk	11	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	18	18	↔	<p>TREAT</p> <p>1) Officers regularly receive updates on the latest ESG policy developments from the fund managers.</p> <p>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.</p>	2	12	23/09/2021
Asset and Investment Risk	12	Increased scrutiny on 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. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2023.	3	2	4	9	3	18	27	↑	<p>TREAT</p> <p>1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement)</p> <p>2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure.</p> <p>3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment</p> <p>4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy</p> <p>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.</p> <p>6) Officers attend training sessions on ESG and TCFD requirements.</p>	2	18	23/09/2021
Asset and Investment Risk	13	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	22	↔	<p>TREAT</p> <p>1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants.</p> <p>2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities.</p> <p>3) Fund manager targets set and based on market benchmarks or absolute return measures.</p>	1	11	23/09/2021

Asset and Investment Risk	14	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	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	23/09/2021
Asset and Investment Risk	15	Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	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	23/09/2021
Asset and Investment Risk	16	Failure of global custodian or counterparty.	5	3	2	10	2	20	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	23/09/2021
Asset and Investment Risk	17	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	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	23/09/2021
Liability Risk	18	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	6	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	23/09/2021
Liability Risk	19	Rise in ill health retirements impact employer organisations.	2	2	1	5	2	10	10	↔	TREAT 1) Engage with actuary re assumptions in contribution rates.	1	5	23/09/2021
Liability Risk	20	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	10	10	↔	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	5	23/09/2021
Liability Risk	21	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%.	5	3	2	10	5	50	50	↔	TREAT 1) The fund holds investments 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) Short term inflation is expected due to a number of reasons on current course.	3	30	23/09/2021
Liability Risk	22	Scheme members live longer than expected leading to higher than expected liabilities. This risk is trending down as life expectancy does not increase at rates expected.	5	5	1	11	2	22	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	23/09/2021
Liability Risk	23	Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	20	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). 4) Pay rises generally remain below inflation.	2	20	23/09/2021

Liability Risk	24	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	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	23/09/2021
Liability Risk	25	Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	26	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	23/09/2021
Regulatory and Compliance Risk	26	Changes to LGPS Regulations	3	2	1	6	3	18	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 be 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	23/09/2021
Liability Risk	27	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	10	↔	TOLERATE 1) Political power required to effect the change.	1	10	23/09/2021
Liability Risk	28	Transfers out of the scheme increase significantly due to members transferring their pensions to DC funds to access cash through new pension freedoms.	4	4	2	10	1	10	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	23/09/2021
Liability Risk	29	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	18	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	23/09/2021
Liability Risk	30	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	3	14	21	↑	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	23/09/2021
Regulatory and Compliance Risk	31	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	14	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	23/09/2021
Employer Risk	32	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	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	23/09/2021
Employer Risk	33	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	22	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	23/09/2021

Resource and Skill Risk	34	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. Currently transitioning to new admin provider LPP.	1	3	3	7	3	28	21	↓	TOLERATE 1) Officers to continue monitor the ongoing staffing changes at Surrey CC. 2) Ongoing monitoring of contract and KPIs	3	21	23/09/2021
Resource and Skill Risk	35	Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	12	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	23/09/2021
Resource and Skill Risk	36	Failure to detect material errors in bank reconciliation process.	2	2	2	6	2	12	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	23/09/2021
Resource and Skill Risk	37	Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	12	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	23/09/2021
Resource and Skill Risk	38	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	12	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	23/09/2021
Resource and Skill Risk	39	Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	10	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	23/09/2021
Resource and Skill Risk	40	Lack of productivity leads to impaired performance.	2	2	1	5	2	10	10	↔	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	5	23/09/2021
Resource and Skill Risk	41	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	18	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	23/09/2021
Resource and Skill Risk	42	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	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	23/09/2021
Resource and Skill Risk	43	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	18	18	↔	TREAT 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	9	23/09/2021

Resource and Skill Risk	44	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.	4	2	2	8	2	16	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	23/09/2021
Resource and Skill Risk	45	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	2	10	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	23/09/2021
Administrative and Communicative Risk	46	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all positions 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 Partnership.	4	3	3	10	3	30	30	↔	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 almost complete for the the retained team 3) Officers to received 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. 5) A number of staff have been recruited with few posts unfilled.	2	20	23/09/2021
Administrative and Communicative Risk	47	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	1	27	9	↓	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.	2	18	23/09/2021
Administrative and Communicative Risk	48	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	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	23/09/2021
Administrative and Communicative Risk	49	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	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	23/09/2021
Administrative and Communicative Risk	50	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	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	23/09/2021
Administrative and Communicative Risk	51	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	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	23/09/2021

Administrative and Communicative Risk	52	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	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	23/09/2021
Administrative and Communicative Risk	53	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	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	23/09/2021
Administrative and Communicative Risk	54	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	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	23/09/2021
Regulatory and Compliance Risk	55	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation. The Fund is changing admin providers which poses a risk for a breach during transition.	3	3	5	11	3	22	33	↑	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 4) Project team in place to ensure smooth transition	1	11	23/09/2021
Regulatory and Compliance Risk	56	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	18	18	↔	TREAT 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	23/09/2021
Reputational Risk	57	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	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	23/09/2021
Reputational Risk	58	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	22	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. Processes recently firmed up 3) Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	23/09/2021
Reputational Risk	59	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	22	↔	TREAT 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	11	23/09/2021
Reputational Risk	60	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	15	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	23/09/2021
Reputational Risk	61	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	2	2	3	7	2	14	14	↔	TREAT 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	7	23/09/2021

Regulatory and Compliance Risk	62	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	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	23/09/2021
Regulatory and Compliance Risk	63	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	20	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	23/09/2021

LBHF Pension Fund

Knowledge and Skills Self-Assessment

Name:

Role: Committee/Board member (delete as appropriate)

1) Pensions Legislative and governance context

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

Awareness of the law relating to pensions in the UK	
Overall understanding of the Local Government Pension Scheme regulations in relation to benefits, administration and investments	
Knowledge of the discretion policies in place for the Fund and other policies regarding administration	
Understanding of the role and powers of the Pensions Regulator, and the LGPS Scheme Advisory Board	
Understanding of the role of the Pension Fund Committee, Local Pension Board, Director of Finance and Monitoring Officer	
Awareness of Environmental, Social and Governance (ESG) investment issues	
Awareness of the UK FRC Code of Corporate Governance and the Stewardship Code	

2) Pensions accounting and auditing standards

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

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

3) Financial services procurement and relationship management

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

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

4) Investment performance and risk management

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

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

5) Financial markets and products knowledge

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

What is the role of a fund manager	
Understanding of the primary importance of the investment strategy decision	
The appointment process of a fund manager and fee structures offered	
A broad understanding of the workings of the financial markets and of investment vehicles available to the pension fund and the nature of the associated risks	
An awareness of the limits placed by regulation on the investment activities of local government pension funds.	

Awareness of the risk and return characteristics of the main asset classes and understanding of the role of these asset classes in long term pension fund investing	Analysed in Table Below
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Asset Class	I have sufficient knowledge of the subjects detailed below and do not require additional training	I would like further training on the areas highlighted below	<i>Current Fund Manager(s)</i>
Multi Asset Credit (Fixed Income)	Y/N	Y/N	<i>Partners Group/Oakhill Advisors</i>
Property – Long Lease	Y/N	Y/N	<i>Aberdeen Standard</i>
Absolute Return	Y/N	Y/N	<i>London CIV</i>
Inflation Linked	Y/N	Y/N	<i>M&G</i>
Passive Equities – Global/Low Carbon	Y/N	Y/N	<i>LGIM</i>
Infrastructure	Y/N	Y/N	<i>Aviva/Partners Group</i>

6) Actuarial methods, standards and practices

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

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

7) Pensions Administration

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

Aware of the responsibilities and legal timescales on administering authorities	
Knowledge of challenges facing pensions administration and the impact of not managing these challenges correctly	
An understanding of the steps that must be taken in the event of breaches and errors	
An appreciation of the responsibilities around personal data and implications for the scheme administrator	

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

Once complete, please return to:

Phil Triggs
Tri Borough Director of Treasury & Pensions

ptriggs@westminster.gov.uk

Agenda Item 8

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pensions Board

Date: 9th February 2022

Subject: Governance Log of Recommendations

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

The 32 recommendations from the report of an independent consultant commissioned by officers to carry out an independent review of the governance arrangements for the pension fund was recently presented to the Pension Fund Committee.

This paper provides the Pensions Board with a progress log of the recommendations that came from that review, and results achieved to date on them.

RECOMMENDATIONS

1. The Pensions Board is recommended to note the log.
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Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
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.

DETAILED ANALYSIS

Background

1. A Treasury and Pensions review of Tri-Borough arrangements was commissioned in 2019 and a consultant 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 commission an independent governance review of the LBHF Pension Fund.
2. An experienced LGPS practitioner was appointed, John Raisin, ex S151 officer of LB Waltham Forest.
3. Mr Raisin completed his governance report in November 2020 and the report was presented to the Pension Fund Committee on 3 March 2021.
4. The report made 32 recommendations, which have been recorded in a progress log to demonstrate the various stages of completion of the recommendations.
5. The log shows that good progress has been made, with 19 recommendations implemented, and seven commenced.

LIST OF APPENDICES

Appendix 1: Log of Recommendations

Recommendations Log					
Recommendation number	Recommendation	Timeline immediacy	Timeline date	Status	Comments
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.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
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.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
3	To amend the Responsibilities of the Pension Fund Sub-Committee (The Pension Fund Committee) as set out in Appendix 2 of this report.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
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.	Immediate	2022/2023	Progress Started	The Pensions Manager has already actioned the appointment of employee representative, Peter Parkin. The recruitment of future employer representatives will be actioned after the new service with admin provider, LPPA, has been established.
5	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.	Immediate	2022/2023	Not Started	This will be actioned after the new service with LPPA is established to ensure resources, due diligence and focus are directed at key priorities and high risk areas.
6	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.	Immediate		Complete	Included in 20/21 annual report
7	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.	Immediate		Complete	Included in 20/21 annual report
8	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.	Immediate		Complete	Initial report was considered at the 21 July 2021 committee. Training needs schedule to be tabled for 28 Feb 22 meeting.
9	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).	Immediate		Progress Started	
10	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.	Not Immediate	31-Mar-22	Complete	Approved by committee on 21 July 2021
11	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.	Not Immediate	31-Mar-22	Complete	This will be provided by Clifford Sims of Squire Patton Bogg prior to 23 November 2021 committee meeting.
12	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.	Immediate		Complete	Part of the quarterly update pack
13	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.	Not Immediate	31-Mar-22	Complete	Now included on the assessment form.
14	Appropriate training in respect of Pensions Administration be provided to both Sub-Committee and Local Pension Board Members as soon as practical.	Not Immediate	31-Mar-22	Complete	Training provided at 21 October 2021 session. Admin included as a category on knowledge assessment form. Admin to be provided as a regular training category.
15	That consideration is given to scheduling regular training sessions, immediately before Pension Fund Sub-Committee meetings.			Complete	Training prior to meetings is ongoing
16	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.	Immediate	03-Mar-21	Complete	Business plan and budget for 21/22 approved
17	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.	Immediate	03-Mar-21	Complete	Budget conforms to required standards
18	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.	Not Immediate	31-Mar-22	Progress Started	Scheduled for later in 21/22
19	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.	Not Immediate	31-Mar-22	Progress Started	Scheduled for later in 21/22
20	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.	Not Immediate	31-Mar-22	Complete	Risk register complies with CIPFA layout
21	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.	Not Immediate	2022/2023	Not Started	Recent independent investigations on instruction from the LBHF Pensions Taskforce have highlighted key areas for improvement and risk mitigation, which are being implemented. Both the establishment of an in house team and move to an alternative pension administration provider were considered.
22	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.	Unassigned		Not Started	
23	A report to the Pension Fund Sub-Committee be presented 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.	Not Immediate	2022/2023	Not Started	The admitted bodies will be reviewed after the Fund has completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers for this high risk project. It will also allow full consideration to be given to the inhouse team function in its monitoring of employers' compliance.
24	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.	Not Immediate	2022/2023	Not Started	This policy will be updated after the Fund's transfer of its administration service to LPPA, so that it can be brought fully up to date, in line with LPPA services, which are not all known yet.
25	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.	Not Immediate	2022/2023	Not Started	This Strategy will be reviewed and updated after the Fund has completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers. It will also allow full consideration to be given to the inhouse team function in its monitoring of employers compliance.
26	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.	Not Immediate	31-Mar-22	Progress Started	Conflicts with onerous current workload, however, progress has begun where possible.
27	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.	Not Immediate	31-Mar-22	Progress Started	Conflicts with onerous current workload, however, progress has begun where possible.
28	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.	Not Immediate	31-Mar-22	Progress Started	Discussions have already commenced with the actuary and an outline plan confirmed. This includes analyses of the Pension Fund data at points in time, including post migration to LPPA. The results of which will be shared with the committee in scheme year 2022/2023 but work will be ongoing throughout 2021/2022.
29	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. Consideration 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).	Immediate		Complete	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
30	The LBHF Pension Fund carefully and seriously consider combining all activity of the Fund under a single senior officer.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point or a decision for the Pension Fund committee.
31	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.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point or a decision for the Pension Fund committee.
32	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.	Unassigned		Complete	Recruitment complete. Appointed advisor will attend meeting on 28 Feb 22.

Report to: Pensions Board

Date: 9th February 2022

Subject: Pension Fund Annual Report 2020/21

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2021.

RECOMMENDATIONS

1. The Pension Board is recommended to note the draft Statement of Accounts and Annual Report.
-

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
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.

DETAILED ANALYSIS

Annual Report

1. The Pension Fund Annual Report 2020/21, which includes the draft Pension Fund Accounts 2020/21, is a regulatory requirement and is required to be approved by the Pension Fund Committee. The draft Pension Fund Annual Report for 2020/21 is attached as Appendix 1.
2. Members are asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Director of Treasury and Pensions in consultation with the Chair.
3. The deadline for submitting the Annual Report was 30 September 2021. The statement of accounts was completed and presented to External Audit in June 2021. However, due to resourcing issues, there have been delays in commencing the external audit process. The audit is, however, now underway. The draft pension fund accounts were presented to Committee at the 21 July 2021 meeting.
4. A draft Annual Report will be shared with the external auditors following approval at this Pension Fund Committee meeting.
5. The Pension Fund investments returned 21.9% over the year. This was driven by a strong recovery of the equities allocation in the portfolio, following the steep decline in 2020 in response to the COVID-19 pandemic.

LIST OF APPENDICES

Appendix 1: London Borough of Hammersmith and Fulham Pension Fund Annual Report 2020/21



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Annual Report

Hammersmith & Fulham Pension Fund **2020/21**





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1.

Preface

Report from Chair of the Pensions Sub-Committee

WELCOME TO THE ANNUAL REPORT OF HAMMERMSITH AND FULHAM PENSION FUND

The Pension Fund Committee is responsible for overseeing the governance and management of the London Borough of Hammersmith and Fulham Pension Fund, including investment management and pension administration responsibilities. As the current Chair of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2020/21.

Since the Covid-19 pandemic struck in early 2020, people across the world are still suffering and our thoughts are with those affected. The Pension Fund has experienced a considerable recovery since the March 2020 lows that occurred during the early stages of the pandemic, with asset values bouncing back 21% in value. The Committee continues to monitor the Fund closely at each quarterly committee meeting and challenges the investment advisors and officers as necessary to ensure the Fund's investments are being managed effectively.

The Fund completed a triennial actuarial valuation as at 31 March 2019, with the funding level improving significantly from 88% in 2016, to 97%. This is primarily as a result of strong investment returns over the period. The planning process for the March 2022 valuation is already underway. Recent funding updates shows that the funding level should remain broadly in line with 2019.

The Pension Fund remains conscious of its role in ensuring good environmental, social and governance behaviours from the companies in which it invests. The Fund made a £30m commitment to the construction of new affordable homes during the year. In line with good governance practice, the Fund continues to closely monitor the underlying carbon emissions of its investments, with the latest data showing the Fund has reduced its carbon to value invested of its equity portfolios by approximately 80% since December 2018 (June 2020 data).

The Pension Fund has shown leadership in managing the environmental social and governance (ESG) impacts of its investments. The London CIV showcased the Pension Fund's ESG dashboard as an exemplar, when it was first introduced in 2019, of reporting ESG concerns to members. The Pension Fund has also been recognised by Friends of the Earth in its "Divest Dashboard" as having the second lowest exposure to fossil fuels across all UK LGPS funds and the lowest in London.

I would like to thank all those involved in the governance and management of the Pension Fund during the year, especially those who served on the Pension Fund Committee during this time.



Councillor Iain Cassidy
Chairman of the Audit, Pensions & Standards Committee & Pensions Sub-Committee

Introduction

The London Borough of Hammersmith and Fulham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS) and is administered locally by Hammersmith and Fulham Council. It is a contributory defined benefit pension scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies, and from investment returns on the Fund's investment assets. Contributions rates for employees set in accordance with the Local Government Pension Scheme Regulations 2013. Employer contributions are set based on the triennial actuarial funding valuation. The latest valuation for the fund was carried out as at 31 March 2019, and the new contributions came into effect from 1 April 2020.

The benefits payable from the Fund in respect of service from 1 April 2014 are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- Career average revalued earnings (CARE), revalued in line with the Consumer Prices Index.
- Pensionable pay to include non-contractual overtime and additional hours.
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age.
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement.
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health.

The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Benefits accrued in the Scheme before 1st April 2014 are protected up to that dated based on the scheme member's final year's pay.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

Introduction (continued)

THIS ANNUAL REPORT COMPRISES THE FOLLOWING SECTIONS:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** which details the Fund's investment strategy, arrangements and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.
- **Actuarial Information** which includes the funding position of the Fund with a statement from the Fund's actuary.

- **The Fund's Annual Accounts** for the year ended 31 March 2020.
- **List of contacts** and a glossary of some of the more technical terms
- **Appendices** setting out the various regulatory policy statements of the Fund:
 - Governance Compliance Statement
 - Statement of Investment Principles
 - Communication Policy
 - Funding Strategy Statement
 - Pension Administration Strategy
 - Report of the Pension Board

Further information about the Local Government Pension Scheme can be found at:
www.lbhfpensionfund.org

This annual report and the statement of accounts within have been prepared taking careful account of relevant Statutory Guidance.

2.

Management and Financial Information

Governance Arrangements

PENSION FUND COMMITTEE

The London Borough of Hammersmith & Fulham Council has delegated responsibility for pension matters to the Audit, Pensions and Standards Committee.

The Committee is comprised of six elected representatives of the council – four from the administration and two opposition party representatives. Members of the admitted bodies and representatives of the Trade Unions may attend the committee meetings but have no voting rights. In order to manage the workload of the committee, it has delegated decisions in relation to all pension matters to the Pensions Sub-Committee.

The Sub-Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

Terms of reference for the Sub-Committee are:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.

- To determine the Fund's management arrangements, including the appointment and termination of fund managers, actuary, custodians and fund advisors.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
- To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.

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

The current membership of the Pensions Sub-Committee is set out below. Jonathan Caleb-Landy and Rowan Ree replaced Rebecca Harvey and PJ Murphy at the beginning of 2021, with the remaining elected members serving for the full year in 2020/21.

Councillor	Committee Attendance 2020/21
Iain Cassidy (Chair)	7/7
Matt Thorley (Vice Chair)	7/7
Rebecca Harvey	5/7
PJ Murphy	5/7
Jonathan Caleb-Landy	2/2
Rowan Ree	2/2

Councillors may be contacted at Hammersmith Town Hall, King Street, London, W6 9JU

LOCAL PENSION BOARD

The Council has also established a Pensions Board (the Board) to assist the Pensions Sub-Committee as required by the Public Services Pensions 2013. The purpose of the Pensions Board is to provide oversight of the Pensions Sub-Committee.

The Board does not have a decision-making power in relation to management of the Fund but is able to make recommendations to the Pensions Sub-Committee. It meets at least twice a year.

Terms of reference for the Local Pension Board are:

- To secure compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme
- To ensure effective and efficient governance and administration of the Scheme

The membership of the Board is as follows:

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

The current membership of the Pensions Board is set out below.

Board Member	Employer/Employee	Attendance 2019/20
Cllr Rory Vaughn (Chair)	Employer	2/2
Cllr Bora Kwon	Employer	2/2
William OConnell	Employee	2/2
Khadija Sekhon	Employee	0/2
Neil Newton	Employee	1/2

MEMBER AND OFFICER TRAINING

The LGPS Governance regulations and other related legislation requires Local Pension Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge

During 2020/21 knowledge was gained at various meetings with investment managers in addition to individual attendance at conferences and seminars.

Further relevant training is planned for 2021/22 based on self-assessments completed by Sub-Committee and board members in accordance with the policy.

CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members' sets out how any conflicts of interests should be addressed. The Members Code of Conduct is in Part 5 of the Council Constitution which can be found online at www.lbhf.gov.uk

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the

impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

GOVERNANCE COMPLIANCE STATEMENT

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

The key issues covered by the best practice principles are:

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

The Fund's Governance Compliance statement was updated in June 2015 can be found at Appendix 1.

Scheme Management and Advisors

EXTERNAL PARTIES

Investment Advisor	Deloitte	
Investment Managers	Global Equities (Passive) Legal & General Investment Management Morgan Stanley Investment Management Private Multi-Asset Credit Partners Group Aberdeen Standard Infrastructure Aviva Investors Partners Group	Absolute Return London LGPS CIV – Ruffer Fixed Income Oakhill Advisors Long Lease Property Aberdeen Standard Private Equity Invesco Unigestion
Custodian	Northern Trust	
Banker	NatWest Bank	
Actuary	Barnett Waddingham	
Auditor	Grant Thornton LLP	
Legal adviser	Eversheds Sutherland	
Scheme Administrators	Surrey County Council	
AVC Providers	Zurich Assurance	Equitable Life Assurance Society

OFFICERS

Strategic Director of Finance and Governance (S151 Officer)	Emily Hill	
Tri-Borough Pensions Team	Phil Triggs Matt Hopson Mat Dawson Patrick Rowe	Julia Stevens Billie Emery Alastair Paton Gibraan Karim
Pensions Manager	Eleanor Dennis	

Contact details are provided in Section 7 of this report

Risk Management

The Fund’s primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members’ pensions and other benefits will be fulfilled.

The responsibility for the Fund’s risk management strategy rests with the Pensions Sub-Committee. In order to manage the risks a Pension Fund Risk Register is maintained, focusing on investment risks and on administration risk. This document is reviewed quarterly. For the key risks which have been identified, appropriate planned actions have been introduced to minimise their impact. The risk register is managed by the Tri-Borough Director of Treasury and Pensions and risks have been assigned to the appropriate “risk owners”.

The key risks identified within the Pension Fund risk register are:

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Investment	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.	High	Tri-Borough Director of Pensions and Treasury	The Fund’s officers will continue to monitor the impact lockdown measures have on the fund’s underlying investments and the wider economic environment The Fund will continue to review its asset allocation and make any changes when necessary
Administration	Changing the fund’s pensions administration provider at the same time as bringing back the retained pensions team in house poses significant operational risk to the fund	High	Director of Finance	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
Investment	Significant volatility and negative sentiment in global investment markets caused by global political uncertainty	High	Tri-Borough Director of Pensions and Treasury	The Fund’s officers are in regular dialogue with investment managers with regards to their management of political risk. The Fund holds a well-diversified portfolio and the investment strategy is reviewed regularly.
Administration	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.		Director of Finance	The Fund’s officers continue to monitor the staffing changes, contract and KPIs of third-party provider.

Risk Management (continued)

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 16).

The Funding Strategy Statement (Appendix 3) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently as and when required.

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Funding	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.	Medium	Director of Finance	The Fund's officers maintain a regularly monitored cashflow forecast. The Fund's cash position is reported to sub-committee quarterly. The Fund continually reviews the income it receives from underlying investments
Governance	The asset pool disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	Medium	Tri-Borough Director of Pensions and Treasury	The Fund's officers frequently engage with the pool and partner funds Ongoing fund and pool proposals are monitored regularly
Funding	Scheme members live longer than expected leading to higher than expected liabilities.	Medium	Tri-Borough Director of Pensions and Treasury	The scheme's pension liabilities are reviewed on a quarterly basis and revalued every three years.
Investment	Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union, including ongoing supply chain issues.	Medium	Tri-Borough Director of Pensions and Treasury	Officers regularly consult and engage with advisors and independent managers.

Risk Management (continued)

THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

The results of these reviews are summarised below and cover 99.5% of investment holdings at 31 March 2021.

Fund Manager	Type of Assurance	Control Framework	Compliance with Controls	Reporting Accountant
Aberdeen Standard	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Aviva Investors	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Invesco	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Legal & General	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Morgan Stanley	ISAE 3402	Reasonable assurance	Reasonable assurance	Deloitte
Oak Hill Advisors	SOC10	Reasonable assurance	Reasonable assurance	RSM US LLP
Partners Group	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Ruffer LLP	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
Unigestion	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Custodian				
Northern Trust	SOC10	Reasonable assurance	Reasonable assurance	KPMG LLP

Financial Performance

The Fund asset value increased by £208m during 2020/21, to £1,219m as at 31 March 2021, after recovering well from a drop in value due to the uncertainty in the global economic outlook as a result of the COVID-19 disease.

A triennial revaluation was completed in 2016/17 showing an improvement in the overall funding level to 88% compared to 83% in 2013. However, funding levels for different employers vary significantly. To improve funding levels, the Council's medium-term financial plan already assumes an increase in employer contributions, which in combination with other employers, will improve the overall funding level over the medium term.

The latest triennial revaluation took place in 2019 and set employer contribution rates from 2020/21 onwards and shows a further funding level of 97%.

ANALYTICAL REVIEW – FUND ACCOUNT

	2016/17	2017/18	2018/19	2019/20	2020/21
Fund account	£'000	£'000	£'000	£'000	£'000
Deals with members					
Contributions	(32,274)	(33,454)	(36,386)	(37,869)	(41,534)
Pensions	40,770	42,827	48,846	52,660	52,088
Net (additions)/withdrawals from dealings with members	8,496	9,373	12,460	14,791	10,554
Management expenses	6,530	4,503	6,199	5,866	8,903
Investment Income	(12,799)	(10,283)	(11,967)	(14,642)	(12,327)
Change in market value	(148,740)	(10,384)	(49,142)	36,172	(215,444)
Net (increase)/decrease in the Fund	(146,513)	(6,791)	(42,450)	41,187	(208,337)

Over the five-year period, pensions paid have exceeded contributions received by £56m in total. This reflects the maturity of the Fund membership in that there are fewer contributors than beneficiaries.

Both officers and the Pensions Sub-Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

The fund transitioned assets between managers in year which resulted in increased transaction costs. This related to the Fund's divestment from the Majedie UK Equity Fund into the MSIM Global Core Fund.

Additionally, due to new requirements related to the cost transparency initiative, the Fund was able to ascertain its transaction costs more accurately.

Financial Performance (continued)

ANALYTICAL REVIEW – NET ASSET STATEMENT

	2016/17	2017/18	2018/19	2019/20	2020/21
Net Asset Statement	£'000	£'000	£'000	£'000	£'000
Bonds	-	-	-	-	-
Equities	112,475	150	150	150	150
Pooled investment vehicles	834,828	998,141	1,034,851	946,792	1,214,810
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash deposits	7,856	6,168	12,843	59,524	8
Other	486	35	34	26	13
Total Investment Assets	1,002,682	1,004,494	1,047,878	1,006,492	1,214,981
Current assets	4,373	6,420	5,396	5,572	3,664
Current Liabilities	(4,223)	(1,291)	(1,201)	(1,178)	(1,100)
Net (increase)/decrease in the Fund	1,002,832	1,009,623	1,052,073	1,010,886	1,219,223

The points to note are:

- 95% of pooled investment vehicles comprise equity shareholdings both domestic and overseas, while the remaining 5% is in property pooled funds.
- The overall value of pooled investment vehicles increased by £268m (28%) during the year.

Further details are given in the Investment Policy and Performance Section.

Financial Performance (continued)

ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

	2016/17	2017/18	2018/19	2019/20	2020/21
Contributions receivable	£'000	£'000	£'000	£'000	£'000
- Members	(6,937)	(6,781)	(7,157)	(7,408)	(8,004)
- Employers	(22,494)	(24,268)	(25,074)	(26,135)	(24,180)
- Transfers in	(2,090)	(3,012)	(2,934)	(4,326)	(9,350)
- Other	(753)	607	(1,221)	-	-
Total Income	(32,274)	(33,454)	(36,386)	(37,869)	(41,534)

	2016/17	2017/18	2018/19	2019/20	2020/21
Benefits Payable	£'000	£'000	£'000	£'000	£'000
- Pensions	30,002	31,465	32,912	34,916	36,363
- Lump sum retirements and death benefits	5,685	7,256	8,167	9,400	8,672
- Transfers out	5,046	4,086	7,726	7,225	7,013
- Refunds	37	20	41	119	40
Total Expenditure	40,770	42,827	48,846	51,660	51,580
Net Dealings with Members	8,496	9,373	12,460	13,791	10,554

The key variances were due to the following:

- Lump sums fell due to fewer members retiring than in the prior year.
- Transfers in were higher, reflecting more new starters joining the scheme and choosing to transfer in benefits on commencement of employment, than last year.

Financial Performance (continued)

ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below.

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Administration					
Employees	138	235	214	223	279
Supplies and services	381	165	132	139	254
Other Costs	1	3	2	3	3
Total Administration Costs	520	403	348	365	536
Governance and Oversight					
Employees	103	341	337	447	550
Investment advisory services	66	65	93	81	109
Governance and compliance	43	0	56	134	125
External audit	24	21	16	25	-4
Actuarial fees	31	25	50	79	54
Total Governance and Oversight Costs	267	452	552	766	834
Investment Management					
Management fees	4,310	3,223	4,763	4,250	5,446
Performance fees	997	343	244	36	257
Transaction costs	382	44	185	421	1,764
Custodian fees	54	38	107	28	66
Total Investment Management Fees	5,743	3,648	5,299	4,735	7,553
Total Operational Expenses	6,530	4,503	6,199	5,866	8,903

In 2020/21, the Fund carried out extensive work related to the moving its administrative function back in-house (to be completed in 2021/22). In order to ensure effective administration for fund members this process was carried out whilst maintaining Surrey as the Funds admin team through 2020/21. This was a key cost driver for the increase in administrative costs for the pension fund. Costs increased by 47%.

The Fund's investment management expenses increased by 60% during the year. The main driver of this increase in cost was the result of the Fund's managers achieving strong returns in year, with fees being based on the value on assets under management and performance fees in some instances.

Administration Management Performance

The administration of the Fund is managed by Hammersmith and Fulham Council but undertaken by Surrey County Council under a not-for-profit contractual arrangement operational from 1 September 2014.

PERFORMANCE INDICATORS

The contract with Surrey County Council includes several performance indicators included to ensure that service to members of the pension fund is effective. The targets are set out below, along with actual performance.

Performance Indicators	Target	2017/18 Performance	2018/19 Performance	2019/20 Performance	2020/21 Performance
Letter detailing transfer out quote	20 days	34%	82%	89%	74%
Process refund and issue payment voucher	10 days	98%	92%	93%	90%
Letter notifying estimate of retirement benefit	10 days	100%	87%	93%	79%
Letter notifying actual retirement benefit	7 days	100%	98%	95%	73%
Letter acknowledging death of member	5 days	100%	100%	94%	77%
Letter notifying amount of dependant's benefits	10 days	100%	94%	96%	75%
Calculate and notify deferred benefits	20 days	44%	90%	79%	86.5%

Performance had generally shown improvement across the board due to improvements in staffing and the implementation process of the new online pension systems, however this performance has decreased over the last year following the withdrawal from the arrangement and commitment to a new provider.

ORBIS

The ORBIS on-line pension system is a secure portal which enables members to:

- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the system to:

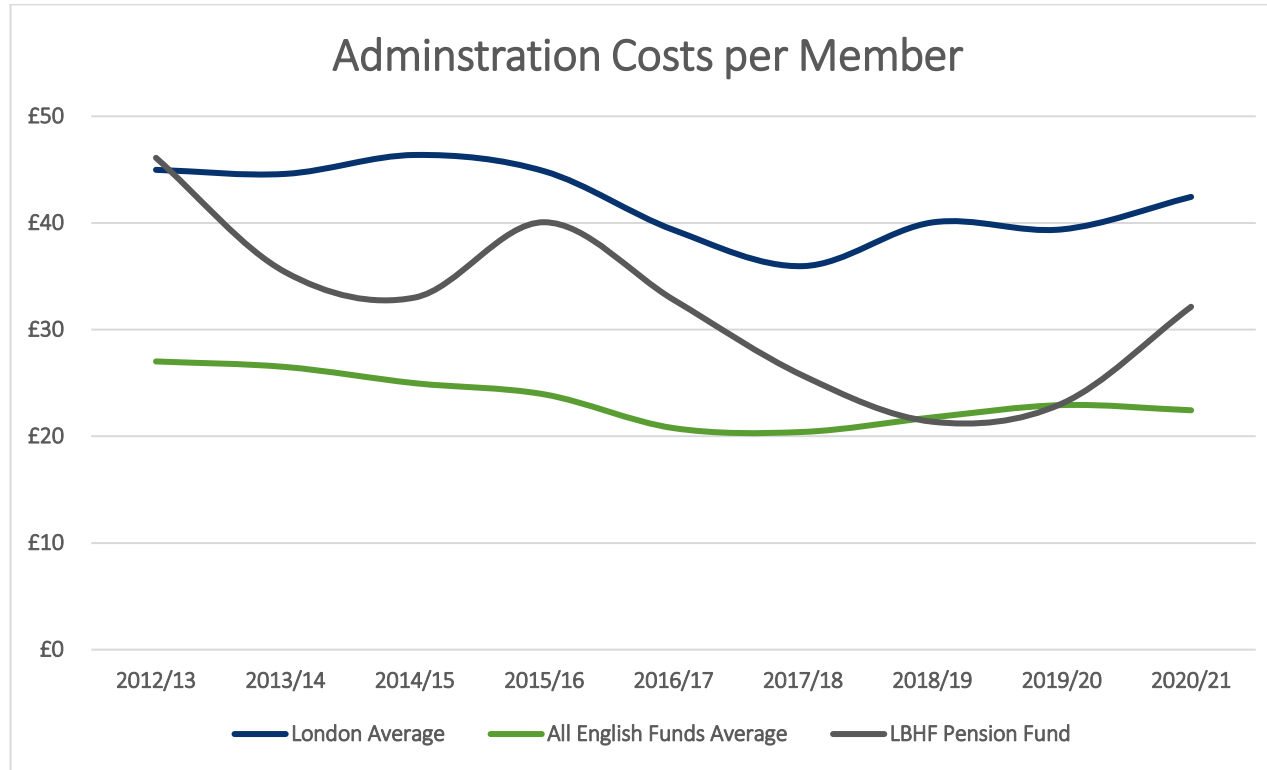
- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations e.g. early retirements

COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (see section 4).

One new complaint was lodged with the Ombudsman in 2020/21.

Administration Management Performance (continued)



STAFFING INDICATORS

The Pension Fund’s cost of administration per member remains below the average for the London borough pension funds as shown in the chart. Administration costs are subject to regular review.

The administration of the Fund comprises of:

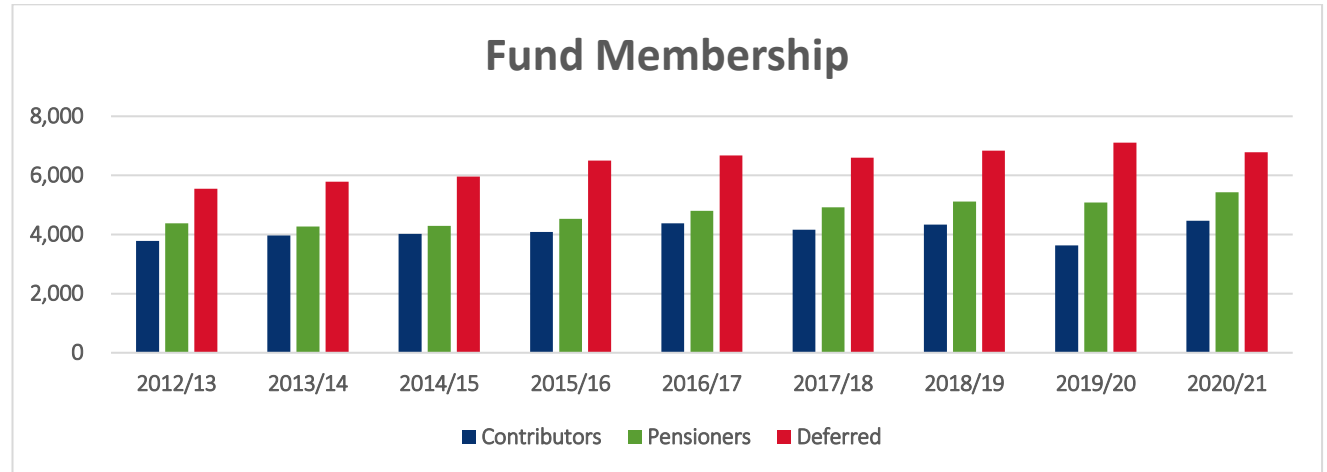
- 3 full-time equivalent (FTE) staff engaged by Surrey CC working directly on pension administration for Hammersmith and Fulham
- 2.8 FTE Hammersmith and Fulham HR staff to deal with internal administration.
- 1.93 FTE Westminster Finance staff assigned to the oversight and governance of the Pension Fund.

Administration Management Performance (continued)

MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased by about 10% over the past 5 years from 15,124 to 16,676.

The introduction of auto-enrolment in 2013 and the increase in admitted employers has led to an increase in members contributing towards the Scheme. Nonetheless, the number of pensioners has been stable over the last several years in common with other local government pension funds, reflecting the maturity of the Fund.



ENHANCED BENEFITS

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given in the table across as at each year on 31 March.

Reason for leaving	2016/17	2017/18	2018/19	2019/20	2020/21
Ill health retirement	10	6	4	3	6
Early retirement	29	18	20	21	29
	39	24	24	24	35

Administration Management Performance (continued)

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

The list below contains a list of the current active contributing employers and the contributions received in 2020/21. The employer's contributions figures include early retirement and deficit funding contributions.

Administering Authority Employer	Employees Contributions £000	Employers Contributions ¹ £000	Total Contributions £000
London Borough of Hammersmith & Fulham	5,663	15,874	21,537
Addison Primary School	33	120	152
All Saints Primary School	13	45	58
Avonmore Primary School	25	91	115
Bayonne Nursery School	15	55	70
Brackenbury Primary School	27	99	126
Cambridge School (Special)	35	121	156
Flora Gardens Primary School	21	72	92
Holy Cross RC Primary School	36	129	165
Jack Tizard School (Special)	53	192	245
James Lee Nursery School	10	34	44
John Betts Primary School	17	59	76
Kenmont Primary School	16	59	75
Larmenier & Sacred Heart Primary	32	117	149
Melcombe Primary School	32	114	146
Miles Coverdale Primary School	27	97	123
Normand Croft Community School	30	106	136
Old Oak Primary School	28	103	131
Queensmill School	140	505	646
Randolph Beresford Early Years	42	139	181

¹ Includes early retirement and deficit contributions

Administering Authority Employer	Employees Contributions £000	Employers Contributions ¹ £000	Total Contributions £000
Sir John Lillie Primary School	26	92	118
St Augustine's Primary School	15	56	71
St John XXIII Catholic Primary	26	99	125
St Johns CE Primary School	20	71	92
St Mary's Primary School	28	104	132
St Paul's Primary School	24	89	112
St Peter's Church of England Primary School	17	63	80
St Stephens CoE Primary School	39	141	180
St. Thomas of Canterbury Primary	13	45	58
The Good Shepherd Primary School	18	68	86
Vanessa Nursery School	14	52	66
Wendall Park Primary School	22	83	105
William Morris Sixth Form School	58	197	255
Wood Lane High School	27	92	118
Wormholt Park Primary School	34	116	150
Total Contributions from Administering Authority	6,671	19,500	26,170

Administration Management Performance (continued)

SCHEDULED BODIES

The Fund provides pensions not only for employees of Hammersmith and Fulham Council, but also for the employees of several scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Body	Employees Contributions £000	Employers Contributions ² £000	Total Contributions £000
Mortlake Crematorium Board	23	58	81
London Oratory School	61	148	210
Ark Burlington Danes Academy	67	154	221
Hammersmith Academy	61	223	284
Sacred Heart Academy	61	207	268
Ark Conway Primary Academy	19	88	108
West London Free School	100	334	434
Ark Bentworth Primary Academy	13	54	67
Lady Margaret Academy	47	164	211
ARK Swift Primary Academy	21	85	106
Fulham College Academy Trust (Girl's School)	51	173	224
Hurlingham and Chelsea Academy	37	128	165
Fulham Boys Free School	41	142	183
Fulham College Academy Trust (Boy's School)	45	167	212
Greenside Academy	16	60	76
Thomas' Academy	17	69	87
Langford Academy	11	39	50
Futures (Phoenix) Academy	25	97	122

² Includes early retirement and deficit contributions

Scheduled Body	Employees Contributions £000	Employers Contributions ² £000	Total Contributions £000
Brightwells Academy	0	0	0
The Bridge AP Academy	58	214	272
Earl's Court Free School	7	34	41
Brightwells Academy Fulham Primary School	30	123	153
Brightwells Academy Queens Manor Primary	24	94	117
Brightwells Academy Sullivan Primary School	19	80	99
Total Contributions from Scheduled Bodies	856	2,933	3,789

Administration Management Performance (continued)

ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not-for-profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

Admitted Body	Employees Contributions £000	Employers Contributions ³ £000	Total Contributions £000
3BM	12	36	48
Disabilities Trust	1	4	5
Interserve (Eden Foods Ltd)	26	111	137
FM Conway (2009)	9	28	37
Fulham Palace Trust	3	0	3
Medequip Assistive Technology	2	8	9
Pinnacle PSG Ltd	61	213	273
Pinnacle PSG Ltd	18	61	79
Quadron Services Ltd	46	154	200
Serco	161	446	606
Urban Partnership Group	15	87	102
Caterlink (2016 Schools)	4	15	19
HCT (Jack Tizard School)	2	9	10
BT	6	19	26
Abelian UK (Wormholt Primary)	0	1	2
Birkin Clean	1	8	9
HCT (CT Plus H&F main contract)	8	40	48
FM Conway (2012)	6	91	97
Quadron Services Ltd (2018)	6	18	24

³ Includes early retirement and deficit contributions

Admitted Body	Employees Contributions £000	Employers Contributions ³ £000	Total Contributions £000
London Hire Community Services	1	8	9
Family Support Service FSS	45	232	277
Peabody Trust	0	1	1
Peabody Trust South East	10	39	50
Mears Group	3	9	12
Sure Serve Group (K&T Heating Serv Ltd)	5	16	22
Chigwell Group	1	3	4
Wates Group	1	7	8
Caterlink (Langford Academy)	1	2	3
Morgan Sindall Group Contract 1	7	27	34
DW Contractors Ltd	3	13	16
Mears Group Contract 2	2	7	9
Morgan Sindall Group Contract 2	8	23	31
Bee Services - Randolph Beresford	0	2	3
Bee Services - Vanessa Nursery	0	1	1
Caterlink (Hurlingham & Chelsea	0	3	3
Churchill Group - Brackenbury Primary	1	6	8
Total Contributions from Admitted Bodies	477	1,749	2,225

Administration Management Performance (continued)

EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Administering Authority	1	-	1
Scheduled Bodies	21	3	24
Admitted Bodies	30	22	52
Total number of bodies	52	25	77



3.

Investment Policy and Performance

Investment Policy

The Pensions Sub-Committee has set out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles".

These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- effective decision making
- clear objectives
- risk & liabilities
- performance measurement
- responsible ownership
- transparency and reporting

The Fund's ISS has been included in this report as Appendix 4.

For 2020/21, the LGPS (Management and Investment of Funds) Regulations 2016, requires the Fund to publish an ISS.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments.
- The administering authority's assessment of the suitability of particular investments and types of investment.
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed.
- The administering authority's approach to pooling investments, including the use of collective investment vehicles.
- The administering authority's policy on how environmental, social and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

Any queries relating to the Fund's investment policy should be addressed to:

Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

Email: pensionfund@lbhf.gov.uk

Asset Allocation

The strategic asset allocation is agreed by the Pensions Sub-Committee and the Fund’s advisers. The allocation during the year ended 31 March 2021 was as follows:

Asset Class	Actual Allocation	Target Allocation
Global Equities	45.8%	45.0%
Dynamic Asset Allocation	32.0%	20.0%
Secure Income	17.2%	20.0%
Total Inflation Protection	5.0%	15.0%
Total	100.0%	100.0%

Fund managers provide a rationale for asset allocation decisions based upon their research resource to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund’s asset allocation strategy can be found in the ISS.

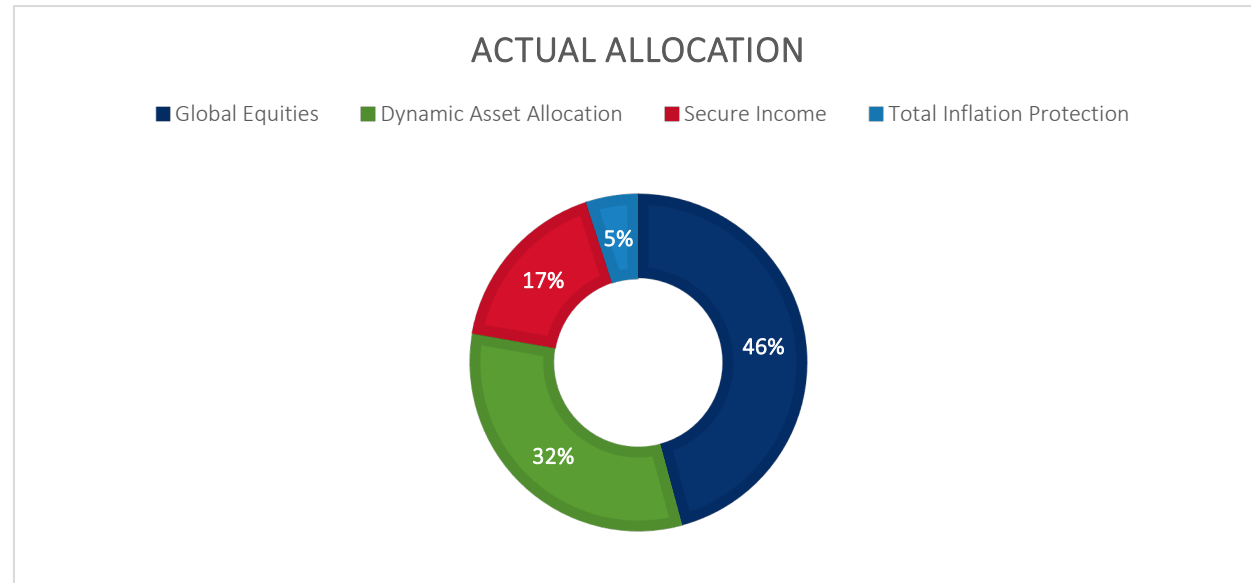
The asset allocation of the Pension Fund at the start and end of the financial year are set out below.

These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pensions Sub-Committee.

At 31 March 2021, the fund had an overweight allocation to cash due to assets in transit. This cash is intended to be allocated to total inflation protection in 2021/22.

The Pensions Sub-Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. To follow the Myners’ Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation decisions.

Investment portfolios are reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and Fund Managers are called to a Sub-Committee meeting if there are issues that need to be addressed. Officers meet Fund Managers regularly and advice is taken from the Investment Advisor on matters relating to fund manager arrangement and performance.



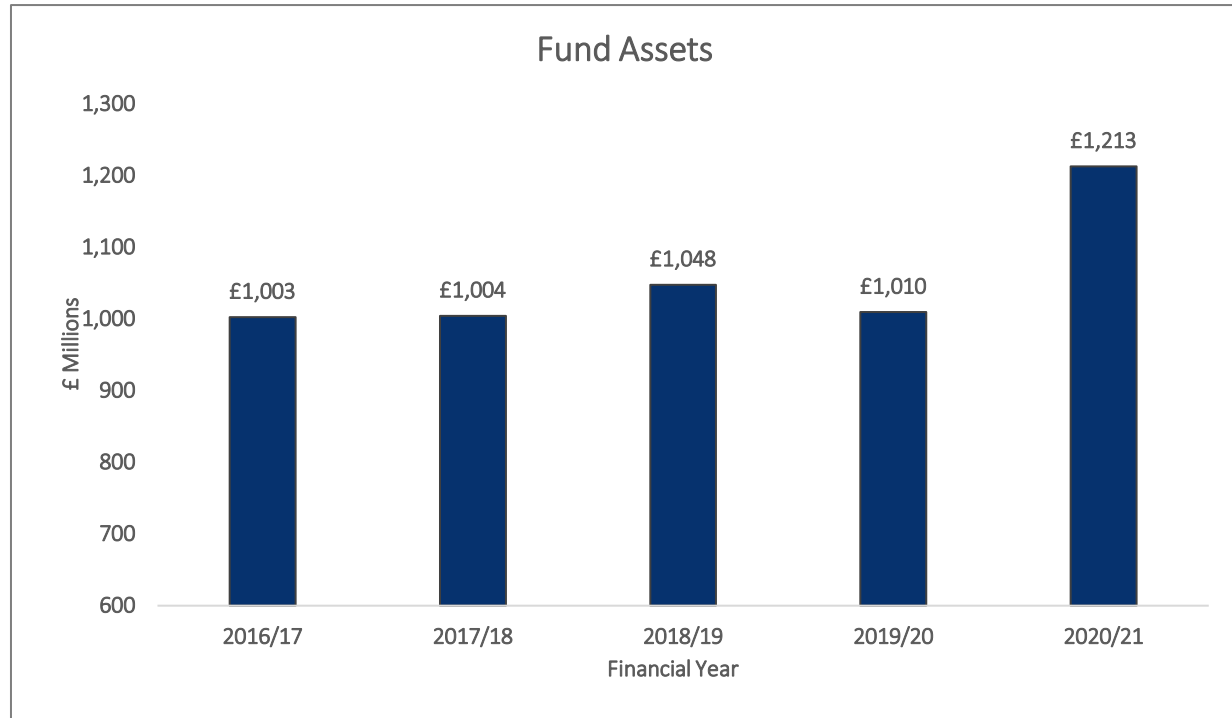
Asset Allocation (continued)

FUND VALUE

The net asset value of the Fund has more than doubled over the past ten years with 20.97% of this growth occurring over the last five years.

In 2020/21, the fund's net asset value rose by 21.86% to £1.21bn. This performance was largely due to the positive outcomes of the vaccination programme and its continued success, leading to strong positive sentiment in global markets.

The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.



Investment Performance

In 2020/21, the Fund's investment performance was 21.86% (-2.6% in 2019/20) to £1.21bn. This was below the average LGPS return of 22.80%.

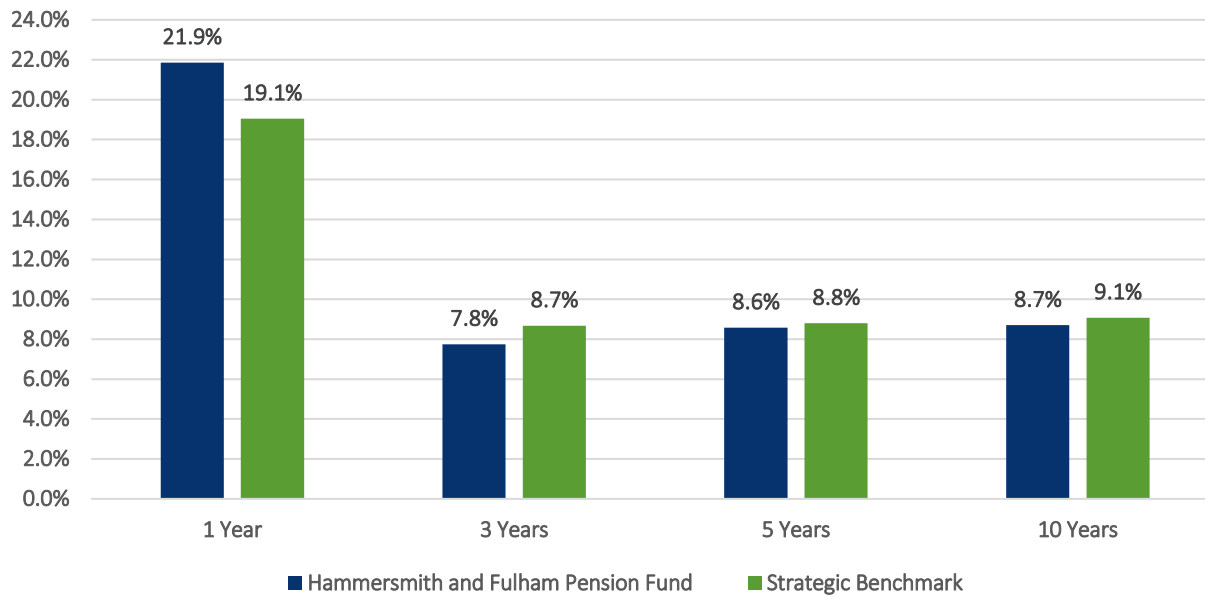
Performance of the Fund is measured against an overall strategic benchmark. Each fund manager is assigned individual performance targets which are linked to index returns for the assets they manage, e.g. FTSE All Share for UK equities. Details of these targets can be found in the Statement of Investment Principles.

The chart below shows the annualised fund performance over different time periods. Overall, the Fund has underperformed its strategic benchmark across the different periods with an overperformance of 2.82% in 2020/21.

2019/20 was a challenging year for the global markets as the response to the global outbreak of the coronavirus disease introduced volatility across various sectors. However; in 2020/21 market's rebounded strongly due to positive sentiment around the mid-term outlook and the recovery prospects of the world's economies post the worst of the coronavirus outbreak.

The Fund's one year performance was bolstered mostly by its position in equities, though returns were positive across all funds within the overall portfolio.

Annualised Fund Performance



Investment Performance (continued)

Active	Passive
London LGPS CIV Ltd LCIV Absolute Return Fund (Ruffer) LCIV Global Bond Fund (PIMCO) LCIV Global Core (MSIM)	Legal & General Investment Management MSCI Low Carbon Tracker Fund
Partners Group Private Multi Asset Credit Infrastructure	
Aviva Investors Infrastructure	
Oak Hill Advisors Multi Asset Credit	
Aberdeen Standard Long Lease Property Fund	
Aberdeen Standard Multi-sector Private Credit	

The overall performance of each manager is measured over rolling three-year or five-year periods,

As there will inevitably there be short-term fluctuations in performance.

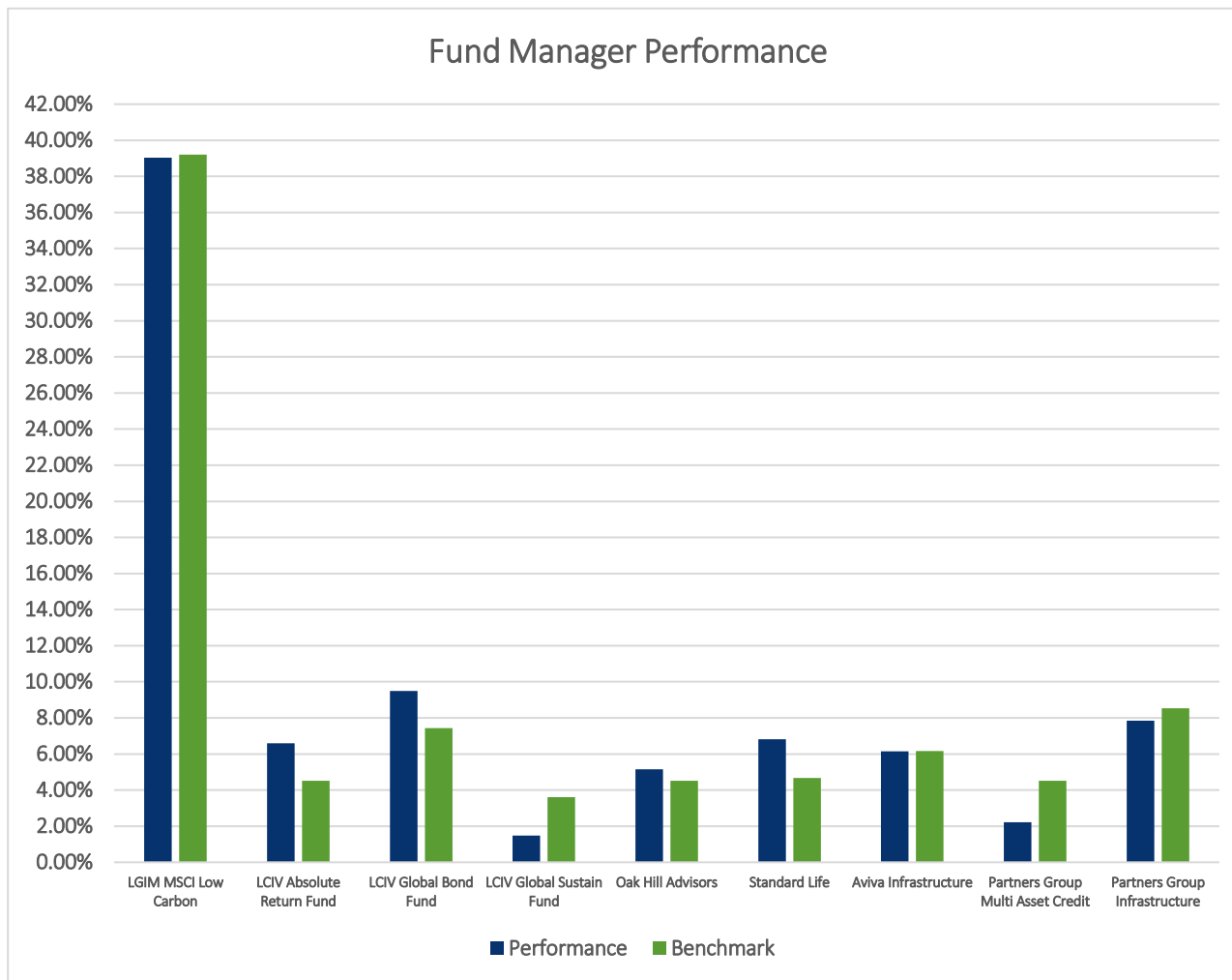
The Fund entered into new strategies during the year. These have been measured on their performance since inception.

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to outperform the benchmark by a set percentage through active stock selection and asset allocation.

- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

The table below shows the portfolio mixture of the fund:



Corporate Governance

RESPONSIBLE INVESTMENT POLICY

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following the best practice in terms of environmental, social and ethical issues has a positive effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of environmental, social and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

In 2019/20 the Fund drafted its Responsible Investment Statement with a final version expected to be approved later in 2020.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pensions Sub-Committee.

PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally can advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Pensions Lifetime and Savings Association (formerly the National Association of Pension Funds), it does not subscribe to nor is it a member of the Local Authority Pension Fund Forum, UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

VOTING

Fund Managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pensions Sub-Committee. The Committee keeps under close review the various voting reports that it receives from Fund managers.

COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements.

The Hammersmith and Fulham Pension Fund is a shareholder in London LGPS CIV Limited and had about 77% of assets invested with the pool as at 31 March 2021.

Corporate Governance (continued)

SEPARATION OF RESPONSIBILITIES

The Fund has appointed Northern Trust as its global custodian, which is independent to the investment managers and responsible for the safekeeping of all the Fund's investments. Northern Trust are also responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest Bank. This is used for the operation functions of the Fund which include receiving contributions from employers and paying out benefits to members.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments statement following their triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

STEWARDSHIP CODE

The Pensions Sub-Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all the Fund's equity investment managers are signatories to the UK Stewardship Code.

The Pensions Sub-Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pensions Sub-Committee encourages Fund Managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pensions Sub-Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (Appendix 3) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority regarding funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

HAMMERSMITH
BRIDGE

4.

Scheme Administration

Scheme Administration

SERVICE DELIVERY

Although the LGPS is a national scheme, it is administered locally. The London Borough of Hammersmith and Fulham Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents.

The Council administers the scheme for 83 employers (a complete list of employers is provided in section 2). These employers include not only the Council, but also academy schools within the borough and a small number of organisations linked to the Council which have been “admitted” to the pension fund under agreement with the Council.

A not-for-profit contractual arrangement is in place with Surrey County Council for the provision of pension administration services. Performance of this service against targets within the contract is reported on page 19. The Council’s Human Resources provide oversight of the administration service.

COMMUNICATION POLICY STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement, which can be found on page 87. The Communication Policy details the overall strategy for involving stakeholders in the pension fund. A key part of this strategy is a dedicated pension fund website, which includes a great deal more information about the benefits of the pension fund and this can be accessed via the following link:

www.lbhfpensionfund.org

INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. If the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

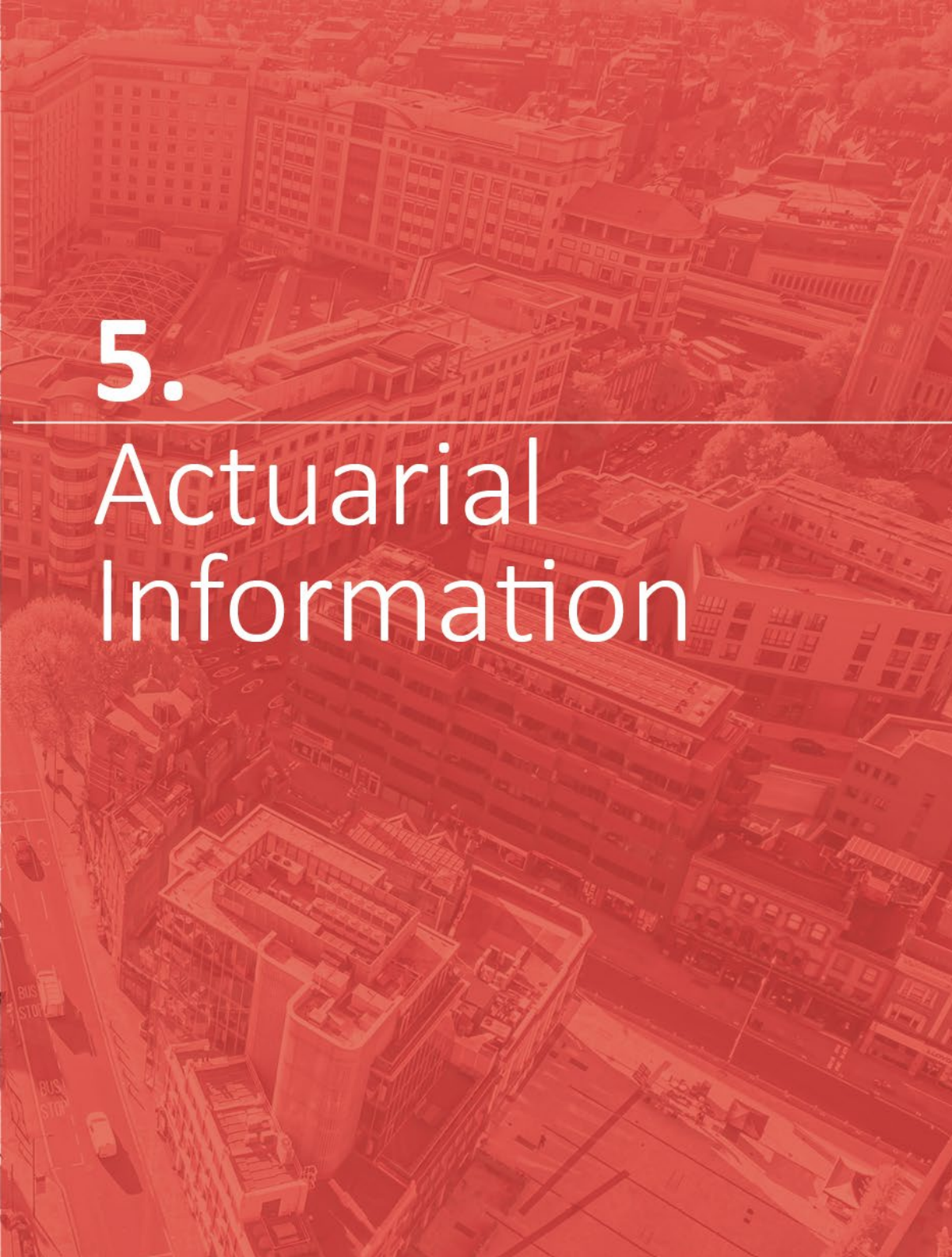
IDRP Stage 2 involves a referral to the administering authority, Hammersmith and Fulham Council to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

One complaint referred to the Pensions Ombudsman in 2020/21.

Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
Pimlico
London
SW1V 1RB



5.

Actuarial Information

Report by Actuary

INTRODUCTION

The last full triennial valuation of the Hammersmith and Fulham Pension Fund (“the Fund”) was carried out as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated February 2020.

This statement gives an update on the funding position as at 31 March 2021 and comments on the main factors that have led to a change since the full valuation.

2019 VALUATION

The results for the Fund at 31 March 2019 were as follows:

- The Fund as a whole had a funding level of 97% i.e. the assets were 97% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £35m which is lower than the deficit at the previous valuation in 2016.
- To cover the cost of new benefits a total contribution rate of 17.4% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their share of the deficit.
- Full details of all the assumptions underlying the valuations are set out in our valuation report.

UPDATED POSITION

Using assumptions consistent with those adopted at the 2019 valuation, we estimate that the funding position at 31 March 2021 is broadly the same as that calculated at 31 March 2019.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.

Barry McKay FFA

Partner, Barnett Waddingham LLP

6.

Pension Fund Accounts



Statement of Responsibilities

Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In line with statute, this is the Director of Finance;
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

The Director of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on assumption that the functions of the authority will continue in operational existence for the foreseeable future;
- Maintained such internal control as they determine as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

CERTIFICATE OF THE STRATEGIC DIRECTOR OF FINANCE

I certify that the Statement of Accounts (set out below) present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2021 and income and expenditure for the year for the financial year 2020/21.

Emily Hill
Director of Finance
Section 151 Officer

Date:

Independent Auditors Report

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

RESPECTIVE RESPONSIBILITIES OF THE STRATEGIC DIRECTOR OF FINANCE AND THE AUDITOR

Independent Auditors Report (continued)

**SCOPE OF THE AUDIT OF THE PENSION
FUND FINANCIAL STATEMENTS**

**OPINION ON THE PENSION FUND
FINANCIAL STATEMENTS**

OPINION ON OTHER MATTERS

[NAME]

for and on behalf of Grant Thornton, Appointed
Auditor

Grant Thornton

[ADDRESS]

[DATE]

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2019/20		Notes	2020/21
£'000			£'000
Dealings with members, employers and other directly involved in the fund			
Contributions			
(26,135)	From Employers	7	(24,180)
(7,408)	From Members	7	(8,004)
(4,326)	Individual Transfers in from Other Pension Funds		(9,350)
-	Other income		-
(37,869)	Total Contributions		(41,534)
Benefits			
34,916	Pensions	8	36,363
8,502	Commutation, Lump Sum Retirement and Death Benefits	8	8,164
898	Payment in respect of tax		508
Payments to and on account of leavers			
7,225	Individual Transfers Out to Other Pension Funds		7,013
119	Refunds to Members Leaving Service		40
51,660	Total Benefits		52,088
13,791	Net (Additions) Withdrawals from dealings with members		10,554

Pension Fund Accounts and Explanatory Notes (continued)

FUND ACCOUNT

2019/20		Notes	2020/21
5,866	Management expenses	9	8,903
	Returns on Investment		
(13,911)	Investment Income	10	(12,327)
(731)	Other Income	10	(23)
36,172	(Profit) and losses disposal of investments and changes in value of investments	12	(215,444)
21,530	Net Return on Investments		(227,794)
41,178	Net (Increase)/Decrease in the net assets available for benefits during the year		(208,337)
(1,052,073)	Opening Net Assets of the Scheme		(1,010,886)
(1,010,886)	Closing Net Assets of the Scheme		(1,219,223)

Pension Fund Accounts and Explanatory Notes (continued)⁴

NET ASSETS STATEMENT

2019/20		Notes	2020/21
£'000			£'000
Investment Assets			
150	Equities	11	150
58,881	Pooled Property Vehicles	11	61,161
817,356	Pooled Investment Vehicles	11	1,081,786
70,555	Private Equity/Infrastructure	11	71,863
59,524	Cash Deposits	11	8
Other Investment Balances			
26	Investment income due	11	13
1,006,492	Net Investment Assets		1,214,981
3,897	Current Assets	19	3,664
(1,178)	Current Liabilities	20	(1,100)
1,675	Cash Balances (held directly by Fund)		1,678
1,010,886	Net assets of the Fund available to fund benefits at the period end		1,219,223

⁴ The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18a.

Note 1 Description of Hammersmith and Fulham Pension Fund

A. GENERAL

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Hammersmith and Fulham Council (the Council). It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The benefits payable in respect of service from 1 April 2014 are based on an employee's career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

B. PENSIONS SUB-COMMITTEE

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee, which in December 2014 formed a Pensions Sub-Committee (the Sub-Committee) and delegated all pensions responsibilities to it. The Sub-Committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The Sub-Committee is made up of five members, four of whom are elected representatives of the Council with voting rights and one co-opted member. Members of the admitted bodies and representatives of the Trade Unions may attend the Sub-Committee meetings but have no voting rights.

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

C. PENSION BOARD

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pensions Sub-Committee.

Note 1 Description of Hammersmith and Fulham Pension Fund (continued)

D. INVESTMENT PRINCIPLES

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Sub-Committee approved an Investment Strategy Statement on 11 February 2020 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Sub-Committee has delegated the management of the Fund's investments to regulated investment managers (see note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

E. MEMBERSHIP

Membership of the LGPS is voluntary, and whilst employees are auto enrolled into the scheme, they are free to choose whether to stay in or leave the scheme, or make their own personal arrangements outside the scheme.

Organisations participating in the Hammersmith & Fulham Pension Fund include:

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

The Deferred member numbers include 890 undecided leavers, who are no longer paying contributions or in receipt of benefits.

31 March 2020		31 March 2021	
50	Number of active employers		58
3,635	Contributing employees		4,467
5,081	Pensioners receiving benefit		5,425
7,112	Deferred pensioners		6,784
15,828	Total members		16,676

Details of the scheduled and admitted bodies are in Section 2 of this report.

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2020/21 and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Council has opted to disclose this information in a note to the accounts (Note 18).

The Hammersmith & Fulham Pension Fund is a statutory, state back Local Government Pension Scheme (LGPS) that is 97% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

It is recognised that the current environment gives rise to a risk of uncertainty and volatility in investment markets and the Fund has reviewed fund manager assessments and no material uncertainty has been identified. The Fund continues to monitor cashflows and invests in a diverse range of investment vehicles including availability to liquid assets.

Note 3 Summary of Significant Accounting Policies

FUND ACCOUNT – REVENUE RECOGNITION

A. CONTRIBUTION INCOME

Normal contributions, both from active members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

B. TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

C. INVESTMENT INCOME

Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

Note 3 Summary of significant accounting policies (continued)

FUND ACCOUNT – EXPENSE ITEMS

D. BENEFITS PAYABLE

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

E. TAXATION

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

F. VSP, MSP AND LIFE TIME ALLOWANCE

Members are entitled to request that the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member

tax liabilities direct to HMRC, it is treated as an expense in the year in which the payment occurs.

G. MANAGEMENT EXPENSES

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance “Accounting for Local Government Pension Scheme Management Expenses 2016”.

- **Administrative expenses** – All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- **Oversight and governance** – All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.
- **Investment management expenses** – The Sub-Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

Where an investment manager’s fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

Note 3 Summary of significant accounting policies (continued)

NET ASSET STATEMENT

H. FINANCIAL ASSETS

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14a).

I. DERIVATIVES

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 14a).

J. FOREIGN CURRENCY TRANSACTIONS

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

K. CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

L. FINANCIAL LIABILITIES

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The Fund recognises liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

M. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of retirement benefits by way of a note to the Net Assets Statement (Note 18a).

N. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 21. There are also some residual policies with Equitable Life, which are disclosed in Note 21, but it is not open for new members.

O. RECHARGES FROM THE GENERAL FUND

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund based on actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 9.

Note 4 Critical Judgements in Applying Accounting Policies

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

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

A. AVIVA INFRASTRUCTURE

One of the LBHF Pension Fund's infrastructure investment managers, Aviva, is facing legal challenge from a former construction contractor relating to a contractual dispute on one of their biomass infrastructure projects. The carrying value of the total infrastructure portfolio in the Pension Fund is £26m.

Within the manager's financial statements at 31 December 2019 and 31 December 2020, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall.

Having carefully considered this fund's financial statements, audit opinion and LBHF Pension Fund's holding in the fund, officers do not consider that this

could result in any material uncertainty in the context of LBHF's total pension fund value. This is because the maximum value of the claims lodged are approximately 8% of the total portfolio value in the worst case scenario that all claims are successful and no counter claims are successful, the Pension Fund would stand to lose approximately £2m. As the estimated maximum impact on the Council's pension fund value is considered to be £2m, officers do not consider that the legal challenge/ claims could result in a material uncertainty in the LBHF pension fund accounts nor the pension related transactions contained within this particular investment and disclosures in the wider financial statements

This matter remains unresolved to date.

Note 5 Assumptions Made About the Future and Other Major Sources of Uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 18a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Barnet- Waddingham are engaged to provide the fund with expert advice about the assumptions to be applied.	<p>For instance:</p> <ul style="list-style-type: none"> • 0.1% increase in the discount rate assumption would result in a decrease in pension liability of £36m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximated £2m • 0.1% increase in pension increases would increase the liability by about £34m • A one-year increase in life expectancy would increase the liability by about £84m

Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability. An allowance of £8.8m (0.6% of total liabilities) has been included in the past service cost reflecting the recent McCloud judgement.

A. PENSION FUND LIABILITY

The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 18a. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets.

B. COVID 19 IMPACT

The COVID-19 pandemic has caused significant investment volatility throughout 2020 and 2021, causing uncertainty in property valuations due to the fall in observable transactions and subsequent complete lack of liquidity in the market. Following this, in 2020 a material uncertainty clause was provided on all pooled property as advised by the Royal Institute for Charters Surveyors (RICS). Since September however, it has been recommended by RICS to remove this clause from all UK property and as such this material uncertainty valuation clause no longer applies as at 31 March 2021, due to the gradual return to normality for the commercial property markets. As at 31 March 2021, pooled property investments for the Fund totalled £61.2m.

C. PRIVATE DEBT/INFRASTRUCTURE INVESTMENTS

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2021, the assets invested with Partners Group were valued at £45.9m (£42.3m in 2019/20).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2021, the value of the investment was £25.5m (£26.1m in 2019/20). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

Note 6 Events After the Balance Sheet Date

In March 2021, the Pension Fund Sub-Committee agreed to appoint Alpha Real Capital as its new ground rents income manager with a commitment of £60m, and to make a subscription into a social housing fund managed by Man Group with a commitment of £30m. As at the balance sheet date, these investments had not been completed.

In November 2021, the Pension Fund Sub-Committee (now called Pension Fund Committee) agreed to appoint Darwin Alternatives with a commitment of £32m. This subscription was fulfilled on January 7th 2022.

Note 7 Contributions Receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The administering body, scheduled bodies and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund.

The tables on the right show a breakdown of the total amount of contributions by authority and by type.

BY AUTHORITY

2019/20 £000		2020/21 £000
(27,442)	Administering authority	(26,170)
(3,607)	Scheduled bodies	(3,789)
(2,494)	Admitted bodies	(2,225)
(33,543)	Total Contributions Receivable	(32,184)

BY TYPE

2019/20 £000		2020/21 £000
(7,408)	Employees' normal contributions	(8,004)
	Employer's contributions:	
(16,432)	Normal contributions	(20,050)
(9,703)	Deficit recovery contributions	(4,130)
(33,543)	Total Contributions Receivable	(32,184)

Note 8 Benefits Payable

The tables on the right below show a breakdown of the total amount of benefits payable.

BY AUTHORITY

2019/20		2020/21
£000		£000
39,593	Administering authority	40,624
672	Scheduled bodies	715
3,153	Admitted bodies	3188
43,418	Total Benefits Payable	44,527

BY TYPE

2019/20		2020/21
£000		£000
34,916	Pensions	36,363
7,407	Commutation and lump sum retirement benefits	6,919
1,095	Lump sum death benefits	1,245
43,418	Total Benefits Payable	44,527

Note 9 Management Expenses

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

MANAGEMENT EXPENSES

2019/20		2020/21
£000		£000
365	Administrative costs	536
4,735	Investment management expenses	7,533
766	Oversight and governance costs	834
5,866	Total Management Expenses	8,903

INVESTMENT MANAGEMENT EXPENSES

2019/20		2020/21
£000		£000
4,250	Management fees	5,446
36	Performance fees	257
421	Transaction costs	1,764
28	Custody fees	66
4,735	Total Investment Management Expenses	7,533

The table on the right provides a breakdown of the Investment Management Expenses.

The fund transitioned assets between managers in year which resulted in increased transaction costs. Additionally, due to new requirements related to the cost transparency initiative, the Fund was able to ascertain its transaction costs more accurately.

Note 10 Investment Income

The table below shows a breakdown of investment income.

2019/20		2020/21
£000		£000
(10,777)	Pooled investments – unit trusts and other managed funds	(5,930)
(3,009)	Income from Alternative Investments	(6,387)
(125)	Interest on Cash Deposits	(10)
(731)	Other Investment Income	(23)
(14,642)	Total Investment Income	(12,350)

Note 11 Investment Strategy

During 202/21, the Fund's strategy had the following developments:

- In April 2020 the Fund Transferred £55m to its new private credit mandate with Aberdeen Standard Investments (now Abrdn MSPC)
- In August 2020 the Pension Fund transferred £169m from its existing passive MSCI low carbon equity fund with LGIM to the LCIV Global Sustain Fund ran by Morgan Stanley.
- In October 2020, the Pension Fund disinvested its entire holding in the M&G inflation opportunities fund (approx £113m) and has temporarily transferred all assets to the LCIV absolute return mandate managed by Ruffer pending final allocation.

The market value and proportion of investments managed by each fund manager at 31 March 2020 was as follows:

31 March 2020 £000	%	Fund Manager	Mandate	31 March 2021 £000	%
Investment managed by the London CIV asset pool:					
411,304	40.9%	LGIM – MSCI Low Carbon	Global Equity (Passive)	381,252	31.4%
128,526	12.8%	LCIV – Ruffer	Absolute Return (Active)	280,677	23.1%
100,960	10.0%	LCIV – PIMCO	Global Bonds (Active)	107,333	8.8%
-	0.0%	LCIV – Morgan Stanley	Global Sustain Fund	174,776	14.4%
640,790	63.7%	Total assets managed by the London CIV asset pool		944,038	77.70%
Investment managed outside of the London CIV asset pool:					
110,996	11.0%	M&G Investments	Inflation Opportunities	-	0.0%
65,570	6.5%	Oak Hill Advisors	Secured Income (Active)	80,034	6.6%
58,881	5.9%	Aberdeen Standard	Long Lease Property	61,162	5.0%
26,062	2.6%	Aviva Investors	Infrastructure	25,546	2.1%
23,142	2.2%	Partners Group	Infrastructure	31,956	2.6%
19,174	1.9%	Partners Group	Multi Asset Private Credit	13,896	1.1%
1,523	0.2%	Invesco	Private Equity	47	0.0%
653	0.1%	Unigestion	Private Equity	417	0.0%
59,551	5.9%	Inhouse Cash	Cash	21	0.0%
150	0.0%	London CIV Ltd	UK Equity	150	0.0%
-	0.0%	NT Ultra Short Bond Fund	UK Equity	1,999	0.2%
-	0.0%	Aberdeen MSPC	Private Credit	55,715	4.6%
365,702	36.3%	Total assets managed outside of the London CIV asset pool		270,943	22.30%
1,006,492	100.0%	Total investments		1,214,981	100.0%

Note 11 Investment Strategy (continued)

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2021 €19.9m (£16.9m) still remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2021, the Fund had £944m invested with the London CIV, which accounts for 77.6% of the fund's total assets.

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

31 March 2020 £000	%	Fund Manager	Mandate	31 March 2021 £000	%
411,304	40.9%	LGIM – MSCI Low Carbon	Global Equity (Passive)	381,252	31.4%
128,526	12.8%	LCIV – Ruffer	Absolute Return (Active)	280,677	23.1%
110,996	11.0%	M&G Investments	Inflation Opportunities	-	0.0%
100,960	10.0%	LCIV – PIMCO	Global Bonds (Active)	107,333	8.8%
65,570	6.5%	Oak Hill Advisors	Secured Income (Active)	80,034	6.6%
58,881	5.9%	Aberdeen Standard	Long Lease Property	61,161	5.0%
-	-	Morgan Stanley	Global Sustain Fund	174,776	14.4%

Note 12 Reconciliation of Movement in Investments

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2020/21.

Fund Manager	Value at 1 April 2020 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2021 £000
Equities	150				150
Pooled equity Investments	817,356	172,443	(122,534)	214,521	1,081,786
Pooled property investments	58,881	44	-	2,236	61,161
Private equity/infrastructure	70,555	7,659	(5,186)	(1,165)	71,863
Total	946,942	180,146	(127,720)	215,592	1,214,960
Cash deposits	59,524			(160)	8
Investment income due	26				13
Spot FX contracts	-			12	-
Net investment assets	1,006,492	180,146	(127,720)	215,444	1,214,981

Note 12 Reconciliation of Movement in Investments (continued)

The equivalent analysis for 2019/20 is provided below:

Fund Manager	Value at 1 April 2019 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2020 £000
Equities	150	-	-	-	150
Pooled equity Investments	902,851	107,550	(156,592)	(36,453)	817,356
Pooled property investments	55,558	39	-	3,284	58,881
Private equity/infrastructure	76,442	4,654	(7,316)	(3,225)	70,555
Total	1,035,001	112,243	(163,908)	(36,394)	946,942
Cash deposits	12,843			238	59,524
Investment income due	34			-	26
Spot FX contracts	-			(16)	-
Net investment assets	1,047,878	112,243	(163,908)	(36,172)	1,006,492

Note 13 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments – Equity Funds UK and Overseas Managed Funds	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted Bonds and Unit Trusts	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
Pooled Long Lease Property Fund	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
Private Equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Level 3	Valued by Fund Managers at the lower of cost and fair value	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated Downward valuations are enacted where the manager considers there is an impairment to the underlying investment

Note 14a Valuation of Financial Instruments Carried at Fair Value

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

LEVEL 1

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

LEVEL 2

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

LEVEL 3

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

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group multi asset credit and the infrastructure funds are closed ended and therefore not tradable. The valuation is based on market prices where available for some

underlying assets and on estimates of prices in secondary markets for others.

31 March 2020			31 March 2021		
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
£000	£000	£000	£000	£000	£000
Financial Assets					
-	876,237	70,555	-	1,142,947	72,013
			Designated at fair value through profit and loss		
-	876,237	70,555	-	1,142,947	72,013
			Net Financial Assets		
			946,792		
			1,214,960		

Note 14b Transfers Between Levels 1 and 2

In 2020/21, the Fund's operational activity resulted in no transfers between Levels 1 and 2.

Note 14c Reconciliation of Fair Value Measurements Within Level 3

	Market Value as at 31 March 2020	Purchases	Sales	Unrealised Gains/(losses)	Realised Gains/(losses)	Market Value as at 31 March 2021
	£000	£000	£000	£000	£000	£000
Overseas infrastructure	25,319	7,659	(1,834)	294	983	32,421
UK Infrastructure	26,062	-	-	(516)	-	25,546
Private Credit	19,174	-	(3,352)	(1,926)	-	13,896
London LGPS CIV	150	-	-	-	-	150
Total	70,705	7,659	(5,186)	(2,148)	983	72,013

Note 14d Sensitivity of Assets Valued at Level 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. Due to the uncertainty caused by the global response to the COVID-19 pandemic, the Fund's pooled property, infrastructure and private credit mandates' valuations may materially differ. The potential impact on the reported valuations as at 31 March 2020 has been estimated to be accurate within the following ranges:

	Assessed Valuation Range (+/-)	Valuation at 31 March 2021	Valuation on increase	Valuation on decrease
Aviva Infrastructure	8.50%	25,546	27,717	23,375
Partners Group Infrastructure	10.00%	31,956	35,151	28,760
Partners Group Multi Asset Credit	10.00%	13,896	15,286	12,507
Total		71,398	78,154	64,642

* Pooled property includes the Aberdeen Standard Long Lease property (£58.9m) and approximately 40% of the M&G Inflation Protection Fund (£43.8m).

Note 15a Classification of Financial Instruments

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

Designated at fair value through profit & loss	Financial assets at amortised cost	31 March 2020		Designated at fair value through profit & loss	Financial assets at amortised cost	31 March 2021	
		Financial liabilities at amortised cost				Financial liabilities at amortised cost	
£000	£000	£000		£000	£000	£000	
Financial Assets							
<i>Pooled Investment Vehicles:</i>							
650,817				836,705			
120,144				178,943			
58,881				61,162			
26,062				25,546			
65,570				80,034			
23,142				31,956			
2,176				464			
150				150			
-				-			
26				13			
	59,524				8		
	3,897				3,664		
	1,675				1,678		
946,968	65,096			1,214,960	5,363		
Financial Liabilities							
-		(1,178)		-	-		(1,100)
946,968	65,096	(1,178)	Total Financial Liabilities	1,214,960	5,363		(1,100)
		1,010,886	Total Net Assets				1,219,223

Note 15b Net Gains and Losses on Financial Statements

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

31 March 2020		31 March 2021
Financial Assets		
(36,393)	Fair value through profit and loss	215,592
238	Loans and receivables	12
Financial Liabilities		
(17)	Fair value through profit and loss	(160)
(36,172)	Net Gains /(losses) on Financial Instruments	215,444

Note 16 Nature and Extent of Risks Arising from Financial Instruments

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

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

A. MARKET RISK

In order to meet the Fund's objective of being fully funded within 22 years of the 2016 actuarial valuation, the fund managers have been set differing targets appropriate to the types of assets they manage. The ongoing economic uncertainty that has been caused by the global response to COVID-19 presents an increased risk to the Fund achieving these targets. As such, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's

investment strategy rests with the Pensions Sub-Committee and is reviewed on a regular basis.

B. PRICE RISK

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

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

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10.9% higher or 10.9% lower for 2020/21 and 10% higher or lower in 2019/20.

Assets exposed to price risk	Value £000	+% £000	-% £000
At 31 March 2020	950,071	1,045,079	855,064
At 31 March 2021	1,214,960	1,347,392	1,082,530

C. INTEREST RATE RISK

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

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

Assets exposed to interest rate risk	Value £000	+1% £000	-1% £000
At 31 March 2020	247,290	235,493	259,086
At 31 March 2021	363,074	348,918	377,231

Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

D. CURRENCY RISK

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

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

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 5.18% higher or 10.9% lower for 2020/21 and 10% higher or lower in 2019/20

Assets exposed to currency risk	Value £000	+1% £000	-1% £000
At 31 March 2020	464,646	511,111	418,182
At 31 March 2021	869,126	914,155	824,097

E. CREDIT RISK

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

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

F. LIQUIDITY RISK

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

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 8.85% of the Fund's Net Assets at 31 March 2021 (10.23% at 31 March 2020). The remaining can all be liquidated within days.

Manager	Portfolio	31 March 2020	31 March 2021
Aberdeen Standard	Property	58,881	61,162
Partners Group	Infrastructure	23,142	31,956
Partners Group	Multi Asset Credit	19,174	13,896
Invesco	Private Equity	1,523	47
Unigestion	Private Equity	653	417
Total		103,373	107,478

Note 17 Contingent Liabilities and Contractual Commitments

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

	31 March 2020	31 March 2021
	£000	£000
Aberdeen Standard Multi Sector Private Credit	55,000	-
Partners Group Direct Infrastructure Fund 2015	23,623	16,936
	78,623	16,936

Note 18 Funding Arrangements

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

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 January 2020. This valuation set the employer contribution rates from 1 April 2020 through to 31 March 2023.

The 2019 valuation certified a common contribution rate of 17.4% of pensionable pay (15.5% as at March 2016) to be paid by each employing body participating in the Fund, based on a funding level of 97% (88% as at March 2016). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report..

The actuary's smoothed market value of the scheme's assets at 31 March 2019 was £1,043m (£851m 2016) and the actuary assessed the present value of the funded obligation at £1,079m indicating a net liability of £35m (£965m 2016).

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

Financial Assumptions	31 March 2016 £000	31 March 2019 £000
Consumer Price Index (CPI) increases	2.40%	2.60%
Salary Increases	3.90%	3.60%
Pensions Increases	2.40%	2.40%
Discount Rate	5.40%	5.00%

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2019. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contribution rates for the period 1 April 2023 to 31 March 2026..

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 19 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Note 18a Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2021. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

		31 March 2020 £000		31 March 2021 £000
		(1,527,085)	Present value of promised retirement benefits	(1,923,604)
		1,013,015	Fair value of scheme assets (bid value)	1,216,634
	(514,070) Net Liability			(706,970)

Present Value of Promised Retirement Benefits comprises of £1,900.5m (£1,509.4m at 31 March 2020) and £23.1m (£17.7m at 31 March 2020) in respect of vested benefits and non-vested benefits respectively as at 31 March 2021.

The assumptions applied by the actuary are set out below:

FINANCIAL ASSUMPTIONS

	31 March 2020	31 March 2021
Salary increases	2.90%	3.80%
Pension increases	1.90%	2.80%
Discount rate	2.35%	2.00%

DEMOGRAPHIC ASSUMPTIONS

The post mortality tables adopted are the S3PA tables with multiplier of 110% for males and 105% for females. The base tables are projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a. The assumed life expectancies from age 65 are:

		31 March 2020	31 March 2021
Retiring today	Males	21.8	21.6
	Females	24.4	24.3
Retiring in 20 years	Males	23.2	22.9
	Females	25.8	25.7

OTHER ASSUMPTIONS

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Note 19 Current Assets

DEBTORS

31 March 2020		31 March 2021	
£000		£000	
1,073	Contributions due – employers	1,370	
486	Contributions due – employees	549	
941	London Borough of Hammersmith & Fulham	941	
1,397	Sundry Debtors	804	
3,897	Total Current Assets	3,664	

ANALYSIS OF DEBTORS

31 March 2020		31 March 2021	
£000		£000	
941	Local authorities	941	
2,956	Other entities and individuals	2,560	
-	Central Government	163	
3,897	Total Current Assets	3,664	

Note 20 Current Liabilities

CREDITORS

31 March 2020		31 March 2021
£000		£000
(541)	Unpaid benefits	(589)
(375)	Management expenses	(426)
(262)	Sundry creditors	(85)
(1,178)	Total Current Liabilities	(1,100)

ANALYSIS OF CREDITORS

31 March 2020		31 March 2021
£000		£000
(1,178)	Other entities and individuals	(1,100)
(1,178)	Total Current Liabilities	(1,100)

Note 21 Additional Voluntary Contributions (AVCS)

The Fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below. The same valuations as at 31 March 2020 have been carried forward to this year due to uncertainty in obtaining accurate valuations as at 31 March 2021.

31 March 2020		31 March 2021
£000		£000
908	Zurich Assurance	908
191	Equitable Life Assurance	191
1,099	Total Additional Voluntary contributions	1,099

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid, and the investments are not included in the Pension Fund Accounts.

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

Note 22 Related Party Transactions

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.542m in 2020/21 (£0.447m in 2019/20) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £19.5m of contributions in year (£21.4m in 2019/20)..

KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the Members of the Pensions Sub-Committee, the Strategic Director of Finance and Governance, the Tri-borough Director of Pensions and Treasury and the Director of Corporate Services. Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2020	31 March 2021
Short-term benefits	30	30
Post-employment benefits	255	95
Total	285	125

Note 25 External Audit Costs

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £33,000 (£25,000 in 2019/20).

7.

Glossary and Contacts



Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

ACTUARY

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

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

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

ADMITTED BODY

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

ASSET ALLOCATION

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

BENCHMARK

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

BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED MEMBERS

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

DEFINED BENEFIT SCHEME

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

Glossary of Terms (continued)

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

EMPLOYER CONTRIBUTION RATES

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

EQUITIES

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

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

INDEX

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

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

POOLED INVESTMENT VEHICLES

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

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Glossary of Terms (continued)

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RETURN

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

SCHEDULED BODY

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

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Contact Information

FOR FURTHER DETAILS CONTACT:

FINANCE ENQUIRIES

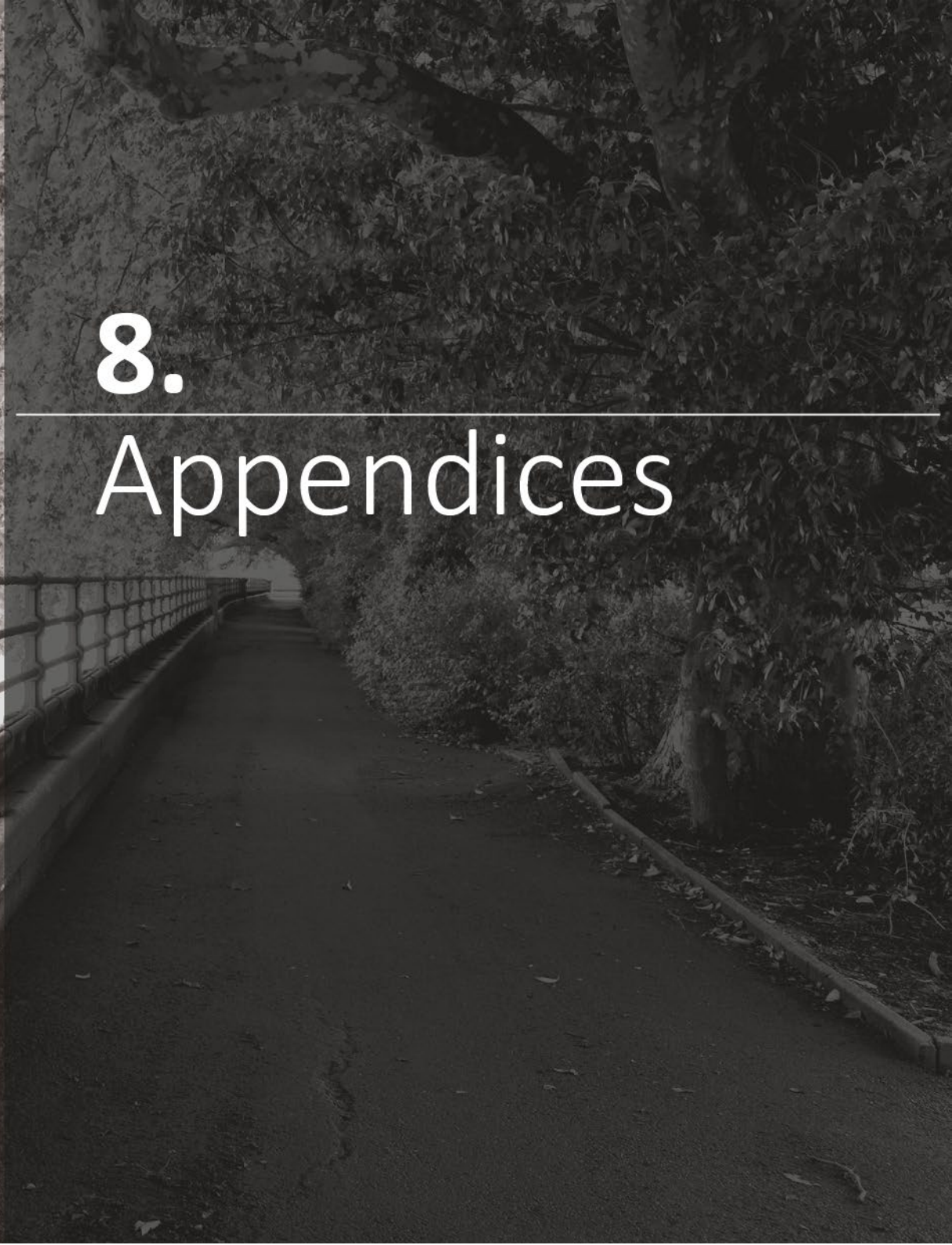
Tri-Borough Pensions Team
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Penrhyn Road
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Surrey, KT1 2DN



8.

Appendices

Appendix 1. Governance Compliance Statement

BACKGROUND

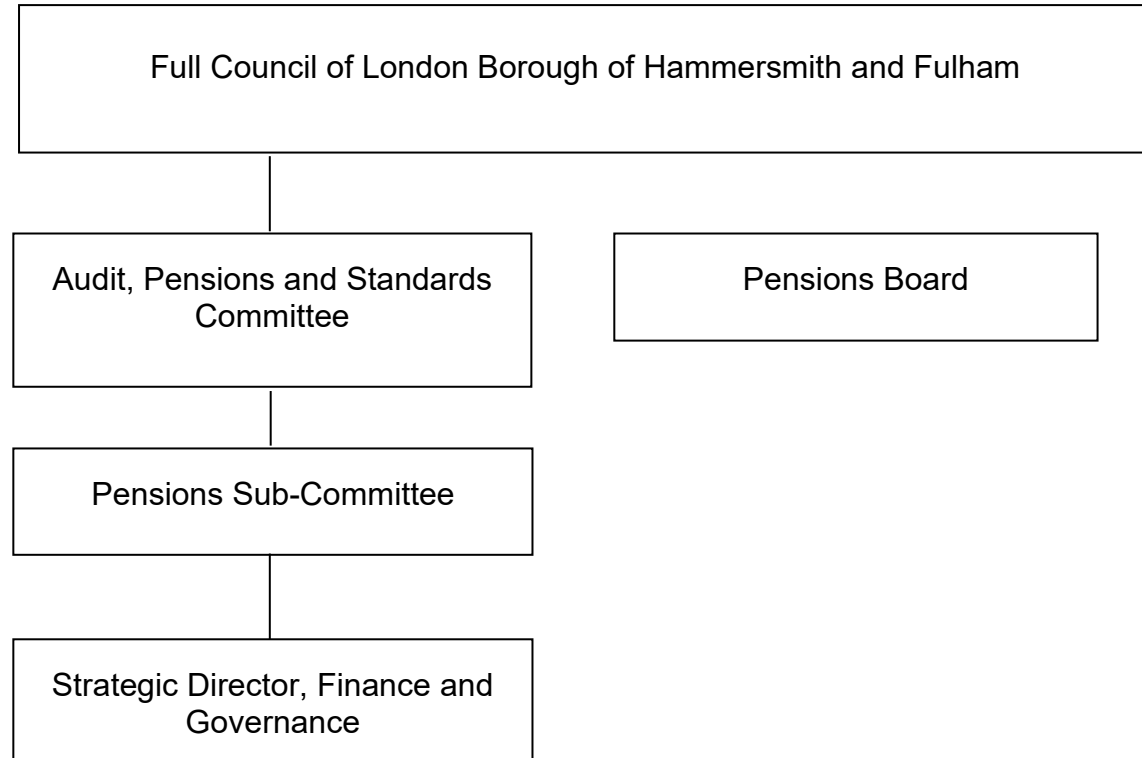
The London Borough of Hammersmith and Fulham Council is the administering authority for the London Borough of Hammersmith and Fulham (“the Fund”) and it administers the Local Government Pension Scheme on behalf of the participating employers.

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

GOVERNANCE STRUCTURE

The diagram on the right shows the governance structure in place for the Fund.

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



Governance Compliance Statement (continued)

AUDIT, PENSIONS AND STANDARDS COMMITTEE

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

PENSIONS SUB-COMMITTEE

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

The sub-committee is made up of four elected members of the Audit, Pensions and Standards Committee and one co-opted member. Three members of the committee are administration councillors and one member represents the opposition. The sub-committee is chaired by the Chair of the Audit, Pensions and Standards Committee. The Sub Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

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

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

The terms of reference for the sub-committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
2. To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, actuary, custodians and fund advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the auditor's report on the governance of the Pension Fund.
12. To determine any other investment or pension fund policies that may be required from time to time so as to comply with government regulations and to make any decisions in accordance with those policies.

Governance Compliance Statement (continued)

PENSION BOARD

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

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

The membership of the Board is as follows:

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

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year but is likely to meet on a quarterly basis to reflect the same frequency as the Pension Fund Committee.

COMPLIANCE WITH STATUTORY GUIDANCE

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

REVIEW OF STATEMENT

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

Annex 1: Governance Compliance Statement

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in terms of reference of the Pensions Sub-Committee.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pensions Sub-Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee
Committee membership and representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an <i>ad hoc</i> basis). 	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pensions Sub-Committee. Expert advisers attend the Sub-Committee as required
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee
Selection and role		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Compliant	As set out in terms of reference of the Pensions Sub-Committee
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Compliant	This is a standing item on the Pensions Sub-Committee agendas
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	As set out in terms of reference of the Pensions Sub-Committee

Annex 1: Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Training, facility time and expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Compliant	As set out in the Council's constitution
Meetings		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Pensions Sub-Committee
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Compliant	Represented on the Pensions Board
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Compliant	As set out in the Council's constitution
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	as set out in terms of reference of the Pensions Sub-Committee
Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

Appendix 2. Communication Policy

1. BACKGROUND

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with:

- Scheme Members
- Members' representatives
- Prospective members
- Employers participating in the Fund

This is the Local Government Pension Scheme (LGPS) Communications Policy Statement for the London Borough of Hammersmith & Fulham (LBHF).

LBHF in its capacity as the Administering Authority engages with other employers (under their status as Admitted and Scheduled Bodies) and has 3,635 active members, 7,112 deferred members and 5,081 pensioners as at 31st March 2019

This policy document sets out the mechanisms that LBHF uses to meet their communication responsibilities.

2. ROLES AND RESPONSIBILITIES

Retained team within HR

The Retained Team are responsible for setting the pensions administration management strategy which includes the drafting of this document and the allocation of communication responsibilities, including those to third parties.

They are also responsible for the monitoring of the quality, timeliness and accuracy of pensions communications from third parties and for the periodic review of this document.

The Retained Team will approve significant communications prior to them being issued that have been drafted on behalf of LBHF by Surrey County Council (SCC) and Hampshire County Council (HCC).

Surrey County Council

SCC are responsible for the day to day transactional pensions administration service under a section 101 agreement with LBHF.

Under this agreement SCC are responsible for the quality, timeliness and accuracy of pensions communications within their normal business activities.

They are also responsible for communications within specific projects and tasks agreed and allocated to them by the Retained Team.

3. HOW INFORMATION IS COMMUNICATED

The table below shows the LBHF communication methods, the frequency of issue and the intended audiences.

Communication Type						Frequency of issue	Communication method												
	Paper Based	Website	Intranet	Face to face	Electronic			Active member	Deferred member	Pensioner	Prospective members	Employers	Union Reps	Pension fund committee	Pension Board	Residents and taxpayers	Media	Other stakeholders	
Joiner information with Scheme details	✓	✓				During the recruitment process and upon request	Sent to home address/via employers				✓	✓	✓						
Newsletters	✓	✓				Annually and/or when the scheme changes	Sent to home address/via employers	✓	✓	✓	✓	✓	✓						
Fund Reports and Accounts			✓			Continually available	Link publicised	✓											
Annual Benefit Statements	✓					Annually and on request	Sent to home address and/or via employers for active members. Sent to home address for deferred members	✓	✓										
Factsheets	✓	✓				On request	On request	✓	✓	✓	✓	✓	✓						
Roadshows				✓		When major scheme changes occur	Advertised in newsletters, via posters	✓											
Personal discussions				✓		When required	Displayed in the workplace	✓	✓	✓	✓								
Posters	✓					Continually available	On request	✓			✓								
Employers Guide		✓				Annually	Annually					✓							

Communication Type						Frequency of issue	Communication method												
	Paper Based	Website	Intranet	Face to face	Electronic			Active member	Deferred member	Pensioner	Prospective members	Employers	Union Reps	Pension fund committee	Pension Board	Residents and taxpayers	Media	Other stakeholders	
Employers meetings				✓		Annually	Notifications sent					✓							
Briefing papers	✓				✓	When required	Within Committee papers dispatch						✓	✓					
Committee Reports	✓				✓	With the committee cycle	Within Committee papers dispatch						✓	✓					
Training and Development				✓	✓	Available and/or as when requested	On request	✓				✓	✓						
Press releases					✓	As required	Email											✓	
Other employers joining the fund					✓	As required	Email												✓
Pension disputes IDRPs					✓	As required	Email												✓
Statutory returns and questionnaires					✓	As required	Email						✓	✓					✓

Communication Policy (continued)

4. DETAILS OF WHAT IS COMMUNICATED

Joiner information with Scheme details

A document providing an overview of the LGPS, including who can join, the contribution rates, the retirement and death benefits and how to increase the value of benefits.

Newsletters

An annual newsletter which provides updates on changes to the LGPS as well as other related news, such as national changes to pensions regulations, forthcoming roadshows and contact details.

Fund Report and Accounts

Details of the value of the Pension Fund during the financial year, income and expenditure etc.

Annual Benefit Statements

For active members these include the value of current and projected benefits. The associated death benefits are also shown along with details of any individuals nominated to receive the lump sum death grant.

In relation to deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits as well as the associated death benefits.

Factsheets

Information that provides a summary in relation to specific topics, such as topping up pension rights, transfer values in and out of the scheme, death

benefits and, for pensioners, annual pensions increases.

Roadshows

As required a representative from SCC and/or the Retained Team will visit a particular location to provide a presentation on a particular topic of interest.

Face to face/personal discussions.

Face to face discussions with a representative from SCC and/or the Retained Team to discuss personal circumstances.

Posters

These are to engage with staff that are not in the LGPS, to help them to understand the benefits of participating in the scheme and to provide guidance on how to join.

Employers' Guide

A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications.

Employers meeting

A seminar style event with a number of speakers covering topical LGPS issues.

Briefing papers

Formal briefings that highlight key issues or developments relating to the LGPS and the Fund,

these are used by senior managers when attending committee meetings.

Committee papers

Formal documents setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Training and Development.

Pension issues are included in appropriate training and development events – specific pension training and development events are run at significant times such as when the scheme changes.

Press releases

Bulletins providing briefing commentary on LBHF's opinion on various matters relating to the Pension Fund, for example, the actuarial valuation results.

Other employers joining the fund

A legal requirement to notify both organisations of the name and type of employer entered into the Fund (e.g. following the admission of third party service providers into the scheme).

Pension disputes IDRPs

Formal notification of pension dispute resolutions to the complainant, together with any additional correspondence relating to the dispute.

Statutory returns and questionnaires

Statutory and various questionnaires that are received, requesting specific information in relation to the structure of the LBHF fund or the composition of the Fund.

Communication Policy (continued)

FURTHER INFORMATION

If you need more information about the Scheme you should contact Surrey County Council at the following address:

Surrey County Council

Pension Services (LBHF Team)

Surrey County Council

Room G59, County Hall

Penrhyn Road

Kingston upon Thames

Surrey KT1 2DN

Email: myhelpdeskpensions@surreycc.gov.uk

RETAINED HR TEAM

Pensions Manager

Hammersmith & Fulham Council

The Town Hall

King Street

London

W6 9JU

pensions@lbhf.gov.uk

General enquiries and complaints:

Helpdesk: 0208 231 2802

General enquiries and complaints: 0208 541 9293

Appendix 3. Funding Strategy Statement

INTRODUCTION

This is the Funding Strategy Statement for the London Borough of Hammersmith and Fulham Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes the London Borough of Hammersmith and Fulham's strategy, in its capacity as administering authority, for the funding of the London Borough of Hammersmith and Fulham Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

PURPOSE OF THE FUNDING STRATEGY STATEMENT

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

AIMS AND PURPOSE OF THE FUND

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding Strategy Statement (continued)

FUNDING OBJECTIVES

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations

are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

KEY PARTIES

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is the London Borough of Hammersmith and Fulham. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;

- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and;
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Funding Strategy Statement (continued)

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of

relevance to their role in advising the Fund; and;

- Advise on other actuarial matters affecting the financial position of the Fund.

KEY PARTIES

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent valuation of the Fund was as at 31 March 2019. The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

FUNDING METHOD

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service).

These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

Funding Strategy Statement (continued)

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an “open” employer – one which allows new recruits access to the Fund, or a “closed” employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year’s benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer’s specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

VALUATION ASSUMPTIONS AND FUNDING MODEL

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund’s future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20-year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20-year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund’s long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the “ongoing” discount rate.

Funding Strategy Statement (continued)

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increase	CPI inflation + 1.0% p.a.
Discount rate	5.0% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received, and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of

McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than, the impact of reducing the discount rate assumption by 0.05%.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

Funding Strategy Statement (continued)

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

DEFICIT RECOVERY/SURPLUS AMORTISATION PERIODS

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years. The adjustment will usually be set as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

The deficit recovery period or amortisation period that is adopted, and the proportion of any surplus that is amortised, for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

POOLING OF INDIVIDUAL EMPLOYERS

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, academy employers are pooled for the purposes of determining contribution rates to recognise the common characteristics of these employers.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Pooling of other individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for

pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

NEW EMPLOYERS JOINING THE FUND

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Funding Strategy Statement (continued)

ADMISSION BODIES

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

NEW ACADEMIES

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2019 valuation.

CESSATION VALUATIONS

When a Scheme employer exits the Fund and becomes an existing employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Funding Strategy Statement (continued)

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to

reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence will be included in order to take potential uncertainties and risk into account e.g. due to market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

REGULATORY FACTORS

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

BULK TRANSFERS

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be

required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Funding Strategy Statement (continued)

RISKS AND COUNTER MEASURES

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

FINANCIAL RISKS

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2% and decrease/increase the required employer contribution by around 0.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

DEMOGRAPHIC RISKS

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health

retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

The London Borough of Hammersmith and Fulham Council do not pay additional amounts to cover any strain costs arising from early retirements at the retirement date but instead allow for the additional liability at the next formal valuation and pay additional contributions to meet these strains as part of their secondary rate contributions. The Fund is comfortable with this approach due the strong covenant of the Council.

The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

Funding Strategy Statement (continued)

MATURITY RISK

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

REGULATORY RISKS

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

Funding Strategy Statement (continued)

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a predetermined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July

2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

CONSULTATION: LOCAL GOVERNMENT PENSION SCHEME: CHANGES TO THE LOCAL VALUATION CYCLE AND MANAGEMENT OF EMPLOYER RISK

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

TIMING OF FUTURE ACTUARIAL VALUATIONS

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. These results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

MANAGING EMPLOYER EXITS FROM THE FUND

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
 - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
 - Allowing employers with no active employees to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).

Funding Strategy Statement (continued)

- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

CHANGES TO EMPLOYERS REQUIRED TO OFFER LGPS MEMBERSHIP

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cashflow profile for these employers. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting

employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are very few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

EMPLOYER RISKS

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer,

in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

GOVERNANCE RISKS

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued, then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

MONITORING AND REVIEW

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

Funding Strategy Statement (continued)

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix 4. Investment Strategy Statement

PURPOSE OF THE INVESTMENT STRATEGY STATEMENT

This is the Investment Strategy Statement (ISS) adopted by the London Borough of Hammersmith & Fulham Pension Fund (“the Fund”), which is administered by the London Borough of Hammersmith & Fulham Council (“the Administering Authority”).

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the London Borough of Hammersmith & Fulham Pension Fund is required to publish this ISS. The regulations require administering authorities to outline how they meet each of the six objectives, aimed at improving the investment and governance processes of the Fund.

This statement addresses each of the objectives included in the 2016 Regulations:

- a) A requirement to invest fund money in a wide range of instruments;
- b) The authority’s assessment of suitability of particular investments and types of investment;
- c) The authority’s approach to risk, including the way in which risks are to be measured and managed;
- d) The authority’s approach to pooling investments, including the use of collective investment vehicles;
- e) The authority’s policy on how environmental, social or governance (ESG)

considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

- f) The authority’s policy on the exercise of rights (including voting rights) attaching to investments.

The Pension Fund Sub-Committee (“the Sub-Committee”) of the London Borough of Hammersmith & Fulham Pension Fund oversees the management of the Fund’s assets. Although not trustees, the Members of the Sub-Committee owe a fiduciary duty similar to that of trustees to the council taxpayers, who ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

The relevant terms of reference for the Sub-Committee within the Council’s Constitution are:

- To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Director of Finance to determine as set out in the officers’ scheme of delegation.
- The consideration and approval of the authority statement of accounts and annual report in accordance with the relevant Accounts & Audit Regulations made from time to time.
- To receive and consider the Auditor’s report on the governance of the Fund.
- To receive actuarial valuations of the Fund regarding the level of employers’

contributions necessary to balance the Fund.

- To have responsibility for all aspects of the investment and other management activity of the Fund.
- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.
- To determine the Fund management arrangements, including the appointment and termination of the investment managers, actuary, custodians and fund advisers.
- To agree the Investment Strategy Statement, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and to ensure compliance with these.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.

Investment Strategy Statement (continued)

- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To determine any other investment or pension fund policies that may be required from time to time, so as to comply with Government regulations and to make any decisions in accordance with those policies.

The Sub-Committee has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes to the Fund.
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary.
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls.
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents.
- Reviewing social, environmental, governance (ESG) and ethical considerations policies, and the exercise of voting rights.

The Director of Finance, officers and the appointed consultants and actuaries support the Sub-Committee. The day-to-day management of the Fund's assets is delegated to the investment managers.

This ISS will be reviewed at least annually, or more frequently as required, in particular, following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement (FSS).

Under the previous Regulations the Statement of Investment Principles required administering authorities to state how they complied with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations, this information is given in Appendix A.

OBJECTIVE 7.2 (A) – A REQUIREMENT TO INVESTMENT FUND MONEY IN A WIDE RANGE OF INSTRUMENTS

Funding and investment risks are discussed in more detail later in this document. However, at this stage, it is important to state that the Sub-Committee is aware of the risks it runs within the Fund and the consequences associated with these risks.

In order to control risk, the Sub-Committee recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return; such as the financial markets, the manager's skill and the use of alternative investments which are less liquid.
- A diverse range of investible asset classes.
- A diverse range of approaches to the management of the underlying assets.

This approach to diversification has seen the Fund dividing its assets into six broad categories as shown in the table below:

Asset Category	Asset Allocation	Review Range
Global Equities	45.0%	+/- 3.0%
Fixed Income	22.5%	+/- 2.0%
Global Bonds	10.0%	
Multi Asset Credit	7.5%	
Private Credit	5.0%	
Alternatives	12.5%	+/- 0.5%
Infrastructure	7.5%	
Illiquid Strategies	5.0%	
Inflation Protection	10.0%	+/- 1.0%
Multi-Asset	5.0%	+/- 1.0%
Property	5.0%	+/- 1.0%

It is important to note that within each category, the Fund's underlying investments are not concentrated to one particular sector, thereby providing further diversification benefits. The asset allocation is regularly reviewed and subject to change depending on the prevalent investment conditions.

Investment Strategy Statement (continued)

The Sub-Committee is mainly concerned about ensuring the Fund's long-term ability to meet pension and other benefit obligations, as and when they fall due. To this end, the Sub-Committee places a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Sub-Committee considers to be excessive.

The Sub-Committee regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met, and is likely to meet in the future, its return objectives. The Fund currently has a negative cash flow position. This means that the contributions paid in by active members are less than the pension obligations paid out on a monthly basis. The Sub-Committee regularly monitors the Fund's cash flow position and the impact investment income has towards mitigating this risk.

In addition to keeping its investment strategy and policy under regular review, the Sub-Committee will keep this ISS under review to ensure that it reflects the approaches being taken. At all times, the Sub-Committee takes the view that its investment decisions, including those involving diversification, are in the best long-term interest of the Fund's beneficiaries and seeks appropriate advice from investment advisors.

OBJECTIVE 7.2 (B) THE AUTHORITY'S ASSESSMENT OF THE SUITABILITY OF PARTICULAR INVESTMENTS AND TYPES OF INVESTMENT

When assessing the suitability of investments, the Fund considers several factors:

- Expected return
- Risk profile
- Market concentration
- Risk management qualities provided by the asset when the whole portfolio is considered
- Geographic and currency exposures
- The extent to which the management of the asset meet the Fund's ESG criteria

Suitability is a critical test for whether or not a particular investment should be made. Each of the Fund's investments has an individual performance benchmark, against which their reported performance is measured.

The Sub-Committee monitors the suitability of the Fund's assets on a quarterly basis. This includes the monitoring of investment returns and the volatility of the individual investments, together with the Fund's expected level of returns and acceptable risk. This latter point being to ensure that risks caused by interactions between investments within the portfolio are properly understood. When comparative statistics are available, the Sub-Committee will also compare the Fund asset performance with those of similar funds.

The Sub-Committee relies on external advice in relation to the collation of the statistics for review.

OBJECTIVE 7.2 (C) THE AUTHORITY'S APPROACH TO RISK, INCLUDING WAYS IN WHICH RISKS ARE TO BE MEASURED AND MANAGED

The Sub-Committee recognises that there are several risks involved in the investment of fund assets, which include:

Geopolitical and currency risks:

- are measured by the value assets (concentration risk) in any one market, leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of levels of diversification.

Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

Investment Strategy Statement (continued)

Solvency and mismatching risks:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies and;
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy.

Custodial risk:

- Is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

Employer contributions are based upon financial and demographic assumption determined by the actuary. The main risks to the Fund are highlighted within the Funding Strategy Statement (FSS). The risks to the Fund are controlled in the following ways:

- the adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach

while permitting the flexibility for managers to enhance returns.

- the appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk.

The investment management agreements constrain the manager's actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

The Sub-Committee is aware that investment risk is only one aspect of the risks facing the Fund. The other key risk relates to the Fund's ability to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment return) and underwrite actuarial risk, namely, the volatility in the actuarial funding position and the impact this has on contributions.

The Sub-Committee is of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy, the Sub-Committee carefully considers both the individual asset risk characteristics and those of the combined portfolio to ensure the risks are appropriate.

Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on historic asset class information for some of the listed asset classes

in which the Fund invests. However, for other private market and less liquid assets, it is much more difficult.

The Sub-Committee is mindful that correlations change over time and at time of stress, it can be significantly different from when they are in more benign market conditions.

To help manage risk, the Sub-Committee uses an external investment adviser to monitor the portfolio risk level. In addition, when carrying out their investment strategy review, the Sub-Committee can appoint different investment advisors to assess the level of risk involved.

The Fund targets a return of 5.0%, in line with the latest triennial actuarial valuation provided by the fund's actuary. This investment strategy is considered to have a low degree of volatility.

When reviewing the investment strategy on a quarterly basis, the Sub-Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this, the risk registers are also reviewed and updated on a quarterly basis.

At each review of the Investment Strategy Statement, the assumptions on risk and return, and their impact on asset allocation will be reviewed.

Investment Strategy Statement (continued)

OBJECTIVE 7.2 (D) THE AUTHORITY'S APPROACH TO POOLING INVESTMENTS, INCLUDING THE USE OF COLLECTIVE INVESTMENT VEHICLES

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Fund's pooling arrangements meet the criteria set out in the Local Government Pension Scheme: Investment Reform Criteria and Guidance.

The Fund is a member of the London Collective Investment Vehicle (CIV) and joined the asset pool as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has about £19.5 billion of assets under management, of which £8.8 billion is managed directly with 14 active funds as of 30 September 2019.

As at the 31st December 2019, the Fund had transitioned assets into the London CIV with a value of £788 million, equivalent to 71% of the fund's assets. The Fund continues to monitor the ongoing development of investment strategies available on the London CIV platform and will look to transition further assets as and when there are suitable investment strategies available on the platform that are compatible with the Fund's investment strategy and objectives.

The table below details the investment assets held by the Fund, the availability of similar mandates on the London CIV platform and how much of the assets are invested with the pool as at 31 December 2019:

Asset Category	Availability on LCIV	Investment with LCIV
Global Equities		
MSCI Low Carbon (LGIM)	Contract negotiated on behalf of LCIV Clients	£546.2m
Multi Asset		
LCIV Absolute Return (Ruffer)	Yes	£132.9m
Fixed Income		
LCIV Global Bonds (PIMCO)	Yes	£108.8m
Private Multi Asset Credit (Partners Group, Aberdeen Standard)	No	-
Multi Asset Credit (Oakhill)	No	-
Infrastructure		
Renewable Infrastructure (Aviva)	No	-
Global Infrastructure (Partners Group)	Yes	-
Inflation Strategies (M&G)	Yes	
Long Lease Property (Aberdeen Standard)	No	

The Fund has committed capital to alternative investment strategies such as property, infrastructure and illiquid debt. The cost of exiting these strategies early would present a material negative financial impact for the Fund. As such, the Fund will continue to hold these investments outside of the London CIV pooling structure to maturity, at which point, the Fund will assess the viability of making such investments within the pool, subject to availability and the Fund's asset allocation.

The Sub-Committee is aware that transitioning certain investment assets to the London CIV could incur significant costs. Whilst it is the expectation of the Fund to make use of the London CIV for the management of most of the Fund's assets in the longer term, the Sub-Committee recognises that transitioning from the current structure to the London CIV will be a protracted exercise spread over several years to ensure that unnecessary costs are not incurred.

The Fund reviews its investment strategy at least once every three years, an exercise which considers the suitability of each investment within the portfolio, including an assessment of transition and investment opportunities with the London CIV.

Investment Strategy Statement (continued)

Governance structure of the London CIV

The London CIV is an authorised company by the Financial Conduct Authority (FCA), which was established by the London Local Authorities (LLAs) to provide a collaborative vehicle for pooling LGPS pension fund assets. The current Corporate Governance and Controls Framework was approved by London CIV shareholders in 2018. This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

The London CIV Company Board (the Board) comprises of an independent chair, seven non-executive directors (NEDs) of which two are nominated by the LLAs, three executive directors and the London CIV Treasurer. The Board has a duty to act in the best interests of the shareholders and have collective responsibility for:

- Strategy and oversight
- Budget and forward plans
- Performance reviews
- Major contracts and significant decisions, including decisions relating to funds
- Financial reporting and controls
- Compliance, risk and internal controls
- Governance and key policies

The London CIV has four committees responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

The role of the Investment Oversight Committee is to:

- Determine, maintain and monitor the company's investment strategy, investment performance and investment risks of the portfolios in accordance with the company's strategy and business plan.

The responsibilities of the Compliance, Audit and Risk Committee include:

- overseeing compliance obligations;
- developing and monitoring a risk management framework; and
- ensuring the integrity of financial statements and reporting.

The responsibilities of the Remuneration & Nomination Committee include:

- developing and monitoring a remuneration policy;
- overseeing the remuneration of key staff; and
- handling nominations and succession planning of key staff and board members.

The Executive Directors acting collectively as the Executive Committee have a number of specific delegated responsibilities for the day-to-day operations of the company, supported by the wider executive leadership team. The role of the Executive Committee in summary is to:

- execute board-approved strategic objectives and business plan in line with risk appetite and financial limits;

- identify, discuss and formulate effective solutions to address issues and opportunities facing the company;
- ensure the day-to-day operations meet the relevant legal requirements and compliance obligations of the company; and
- ensure the Board and Committee members receive timely, accurate and transparent management information and reporting to fulfil their duties and responsibilities.

The London CIV's Shareholder Committee is responsible for scrutinising the actions of the Board, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The Shareholder Committee meets on a quarterly basis and comprises of 12 members, including Councillors and Treasurers from the LLAs.

The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

External independent oversight and assurance of the pool company is provided to the FCA, depositary, external auditors and the Ministry of Housing, Communities and Local Government (MHCLG).

Investment Strategy Statement (continued)

OBJECTIVE 7.2 (E) HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS ARE TAKEN INTO ACCOUNT IN THE SELECTION, NON-SELECTION AND RETENTION AND REALISATION OF INVESTMENTS

The Fund recognises environmental, social and governance (ESG) factors as central themes in measuring the sustainability and impact of its investment decisions. Failure to appropriately manage these factors is considered to be a key risk for the fund as this can have an adverse impact on the fund's overall investment performance, which ultimately affects the scheme members, employers and local council taxpayers.

The United Nations (UN) has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

Whilst it might not be practical for any organisation to achieve all the SDGs solely by itself, the Fund has developed a Responsible Investment policy that targets several of the UN's SDGs that are aligned with the Fund's investment values.

The Fund, alongside its administering authority employer, has committed itself to achieving carbon neutrality by the year 2030. This commitment demonstrates the Fund's intention to act as a responsible investor and will increasingly play a fundamental role in fund's asset allocation and investment manager selection processes.

The Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewables as the main source of energy production. The impact of this transition on the sustainability of investment returns will be continually assessed.

The Sub-Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that end, the Fund will continue to seek investments that match its pension liability profile, whilst having a positive impact on society. The Fund is of the view that greater impact can be achieved through active ownership and lobbying for firms to change and utilise their resources sustainably.

The Sub-Committee recognises that it has a fiduciary duty to act in the best interests of the scheme's members to ensure that their benefits are honoured in retirement. Such responsibility extends also to making a positive contribution to the long-term sustainability of the global environment. ESG integration into the Fund's investment decision processes aims to mitigate the associated investment

risks, whilst enhancing investment returns for the Fund, thereby safeguarding members' futures.

Policy implementation – Selection process

The Sub-Committee delegates the individual investment selection decisions to its investment managers. In doing so, the Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Sub-Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection process. This includes, but is not limited to:

- evidence of the existence of a responsible investment policy;
- evidence of ESG integration in the investment process;
- evidence of sign up to relevant responsible investment frameworks such as the United Nations Principles of Responsible Investment (UNPRI);
- commitment to addressing the challenges posed by climate change;
- a track record of actively engaging with stakeholders to influence best practice;
- an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made

As part of its investment manager selection process, the Sub-Committee will obtain proper advice from the Fund's internal and external advisers with the requisite knowledge and skills; this will be supplemented by regular training.

Investment Strategy Statement (continued)

Investment managers are expected to follow industry best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investable companies will be expected to comply with all the applicable laws and regulations in their respective markets as a minimum.

Policy Implementation – Ongoing engagement

Whilst it is still quite difficult to quantify the impact of the less tangible non-financial factors on the economic performance of an organisation, this is an area that continues to see significant improvements. Several benchmarks and disclosure frameworks exist to measure the difference aspects of available ESG data which includes carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investments.

The Fund's officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include but are not limited to:

- regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;

- reviewing reports issued by investment managers and challenging performance where appropriate;
- working with investment managers to establish appropriate ESG reporting and disclosures in line with pension fund's objectives;
- contribution to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;
- actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member.

The Fund's officers will work closely with the London CIV (through which the Fund will increasingly invest) in developing and monitoring its internal frameworks and policies on all issues which could present a material financial risk to the long-term performance of the Fund. This will include the London CIV's ESG frameworks and policies for investment analysis and decision making.

Fund officers will report on the Fund's investment performance, including an update on the ongoing ESG performance, to the Sub-Committee at least once every quarter. This will include a review into the Fund's progress towards achieving its ESG targets.

In preparing and reviewing its Investment Strategy Statement, the Fund will consult with the relevant stakeholders including, but not limited to:

- pension fund employers;
- local pension board;
- advisers/consultants to the fund;
- investment managers.

Policy Implementation - Training

The Sub-Committee and the Fund's officers will receive regular training on responsible investment. A review of training requirements and needs will be carried out at least annually. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the Fund's investment process.

OBJECTIVE 7.2 (F) THE EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHED TO INVESTMENTS

The Fund recognises the importance of its role as good stewards of capital and the need to ensure the highest standards of governance, promoting corporate responsibility in the underlying companies in which it holds its investments. The Sub-Committee has delegated the Fund's voting rights to its investment managers who are required and expected, where practical, to make considered use of voting in the interests of the Fund.

Investment Strategy Statement (continued)

Through its participation as a member of the London CIV, the Fund continues to work closely with other LGPS funds in London to enhance the level of engagement with both the investment managers and the underlying companies in which it invests.

The Fund is a member of the LAPFF, a leading collaborative shareholder engagement group in the UK. The LAPFF regularly issues voting alerts to investment managers on behalf of its members. Investment managers are encouraged to vote in accordance with these alerts where possible or provide an explanation as to why they are unable to do so. The Fund's membership in the LAPFF and the Pensions and Lifetime Savings Association (PSLA) helps in magnifying the voice and influence of pension fund assets owners.

Feedback on this statement

Any feedback on this Investment Statement is welcomed. If you have any comments or wish to discuss any issues, please contact:

Tri-Borough Pensions Team

pensionfund@lbhf.gov.uk

Investment Strategy Statement (continued)

COMPLIANCE WITH CIPFA PENSIONS PANELS PRINCIPLES

DECISION MAKING

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication *"Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012"*.

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is therefore important for the Fund to demonstrate how it meets principles and intends to achieve best practice.

The Secretary of State has previously highlighted the principle contained in *Roberts v. Hopwood*, for pension funds whose administering bodies exercise their duties and powers under regulations governing the investment and management of funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to

the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are widely accepted to be in support of this approach. The principles, together with the Fund's position on compliance, are set out below.

PRINCIPLE 1 – EFFECTIVE DECISION MAKING

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge and resources necessary to make them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive whilst also managing any conflicts of interest.

Full compliance

The Hammersmith & Fulham Council (the Council) has delegated the management and administration of the Fund to the Pension Fund Sub-Committee (the Sub-Committee). The Sub-Committee meets at least quarterly. The responsibilities of the Sub-Committee are described in section 1 of the Investment Strategy Statement (ISS).

The Sub-Committee is made up of elected members of the Council who each have voting rights. Representatives from the admitted and scheduled

bodies, as well as the trade unions may attend as observers.

The Sub-Committee obtains and considers advices from the Fund's officers, appointed actuary, investment managers and advisors. Investment managers are appointed in accordance with the scheme's regulations and the scope of their activities are specified in detailed investment management agreements and regularly monitored. Business plans are presented to the Sub-Committee annually and progress is monitored on a quarterly basis.

Several of the Sub-Committee members have extensive experience of dealing with investment matters and training is made available to new members when they are appointed to the committee.

PRINCIPLE 2 – CLEAR OBJECTIVES

The Fund should set investment objectives that consider the following factors:

- the funds overall pension liabilities
- the potential impact of investment risks on local council tax players
- the strength of the covenant for non-local authority employers
- the attitude towards risk of both the administering authority and the scheme employers

These should be clearly communicated to advisors and investment managers.

Investment Strategy Statement (continued)

Full compliance

The aims and objectives of the Fund are set out within the Funding Strategy Statement and the Investment Strategy Statement. The main objective of the fund is to meet the cost of pension liabilities whilst minimising the fluctuations in the employer contribution rates, thereby keeping costs to taxpayers and admitted bodies at a reasonable level.

In order to ensure that the Fund's assets are sufficient to meeting its short-term and long-term pension liabilities, the Fund's investment strategy has been set to include a combination of income yielding and growth assets. The Fund's investment performance is measured against this objective on a quarterly basis. The Fund's investment strategy is also reviewed regularly.

PRINCIPLE 3 – RISK AND LIABILITIES

The Fund should consider the form and structure of its liabilities. This includes:

- the implications for local council taxpayers;
- the strength of the covenant for non-local authority employers;
- the risk of their default; and
- longevity risk.

Full compliance

The Sub-Committee, in conjunction with its advisers, agrees an investment strategy that is appropriate to meet the Fund's liabilities. A fund actuarial valuation is carried out every three years, with the most recent triennial valuation having been conducted in 2019. The investment strategy is designed to be well

diversified, achieving the optimal risk adjusted return for the Fund.

An appropriate asset allocation has been agreed, which aims to maximise the potential to close the funding deficit over future years. This is included as an appendix to the ISS.

PRINCIPLE 4 – PERFORMANCE ASSESSMENT

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.

Full compliance

The Sub-Committee has appointed investment managers with clear index strategic benchmarks as a means of monitoring the investment manager's skill. Investment managers are held accountable to any under performance against the appropriate agreed upon benchmark.

Manager performance is monitored on a quarterly basis and independent detailed monitoring of the Fund's investments is carried out by the Fund's investment adviser and custodian. Portfolio risk is measured on a quarterly basis and the risk/return implications of the different strategic options are fully evaluated.

The investment adviser is assessed on the appropriateness of the quality of the advice given which include the asset allocation recommendations

and the performance of the funds on their rated list. The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the Official Journal of the European Union (OJEU) procedures.

PRINCIPLE 5 – RESPONSIBLE OWNERSHIP

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.
- include a statement of their policy on responsible ownership in the statement of investment principles.
- report periodically to scheme members on the discharge of such responsibilities.

Full compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in Section 7 of the ISS. Authority has been delegated to investment managers to exercise voting rights on behalf of the Fund. Investment managers are required to report how they have voted in their quarterly reports.

The Fund intends on using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests. The Fund's approach to this is outlined in the ISS.

Investment Strategy Statement (continued)

PRINCIPLE 6 – TRANSPARENCY AND REPORTING

Administering authorities should:

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks including performance against stated objectives.
- provide regular communications to scheme members in the form they consider most appropriate.

Full compliance

The Fund publishes an annual report each year which communicates the Fund's strategy and performance to stakeholders. Copies of the Investment Strategy Statement, Funding Strategy Statement and other policy documents are also made publicly available online on the Council's website.






All Pension Fund Sub-Committee meetings are open to members of the public, and agendas and minutes are also published on the Council's website.




COMPLIANCE WITH THE STEWARDSHIP CODE









The Stewardship Code is a set of principles or guidelines released in 2010 and updated in 2020 by the Financial Reporting Council (FRC), directed at institutional investors who hold rights in United Kingdom companies. Its principal aim is to make shareholders who manage other people's money actively engage in corporate governance in the interests of their beneficiaries.






The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The Committee has not formally adopted the latest version of the Stewardship Code, however, expects any directly appointed fund managers and the pool company (London CIV, in this Fund's case) to comply and this is monitored on an annual basis.





Investment Strategy Statement: Appendix B






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 positions 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 Partnership.	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		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	Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on
				Total						
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	TOLERATE 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 be 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 its 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

Appendix 5. Pension Administration Strategy

Contents

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1. Introduction

The delivery of a high quality, cost effective pensions administration service is not just the responsibility of the Administering Authority (London Borough of Hammersmith and Fulham), it also depends upon collaborative working with all stakeholders to ensure that Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

The aim of this Pension Administration Strategy (PAS) is to ensure that the Administering Authority along with their Admitted and Scheduled body employers are aware of their responsibilities under the Local Government Pension Scheme (LGPS).

This document also shows the relationship and details the split of responsibilities between the Administering Authority and the Admitted and Scheduled body employers (Employers).

For clarity Hammersmith and Fulham acting as Administering Authority (WAA) for the pension fund will treat Hammersmith and Fulham the main fund employer (WFE) exactly the same as all the other fund employers.

It should be noted that the Administering Authority is working with Surrey County Council (SCC) to provide the main pension administration service to all fund employers under a 101 shared service arrangement.

Throughout this document contractual and best practice levels of performance are referenced with the aim of incrementally improving the provision of timely accurate data and levels of pension administrative services.

Failure to comply with the standards shown in this document could result in charges being levied by the Administering Authority to Employers in accordance

with the terms set out in the schedule of charging in Section 6.

2. Pension Administration Strategy Statement

This statement sets out the aims and objectives of the PAS and references other documents which together make up the overall pensions administration management system.

Statutory background

Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables an Administering Authority to prepare a document detailing administrative standards, performance measurement, data flows and communication vehicles with Employers.

Regulation 70 of the LGPS 2013 allows an Administering Authority to recover costs from an Employer where costs have been incurred because of an Employer's non-compliant level of performance in carrying out its functions under the Regulations.

Aims & Objectives

In creating this strategy, the aim of the Administering Authority is to have in place a pension management system that meets the needs of the stakeholders by:

- clarifying the roles and responsibilities of all the major stakeholders
- ensuring the services provided by all the major stakeholders are accessible, equitable and transparent
- assisting Employers to provide the effective provision of timely and accurate data

To support these aims this PAS document introduces:

- the standard of expected service between the Administering Authority and Employers

- a schedule of charges that apply when standards of service fall below expectations
- a strategy in place to develop web enabled services for Employers and employees.

Other documents which make up the overall strategy

- Local Government Pension Scheme Communications Policy

3. Roles and responsibilities

Administering Authority

The responsibilities of the Administering Authority are:

1. To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
2. To notify each member regarding the counting of membership in the scheme following notification from the member's employer of the relevant service details.
3. To set up and maintain a record for each member of the scheme which contains all the information necessary to produce an accurate benefit calculation following the employer providing useable and accurate financial data.
4. To calculate and pay the appropriate benefits at the correct time, based on membership details held the termination date and the final pay details provided by the employer when an employee ceases employment, or ceases membership of the Scheme.

5. To supply beneficiaries with details of their entitlements including the method of calculation.
6. To set up and maintain a record for each pensioner member.
7. To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders.
8. To pay benefits to the correct beneficiaries only and to take steps to reduce the possibility of fraud taking place.
9. To ensure that sufficient information is issued to satisfy the requirements of Regulation 61 of the LGPS 2013. This relates to fund communication more details are contained within section 4 of this document or alternatively see the communications policy which is also available on the Hammersmith and Fulham Pension fund website.
10. To maintain an appointed person for the purposes of the scheme internal dispute resolution procedure (IDRP). The appointed person will in general be the Director of People Services or where the Director had previously been involved in the case an officer of equivalent level will be asked to make a determination. The appointed person will be able to access advice from the funds appointed legal advisors where necessary.
11. To appoint all necessary advisors to enable the appointed person to perform the duties required by the IDRP.
12. To appoint an actuary for the purposes of the triennial valuation of the Pension Fund and

provide periodical actuarial advice when required.

13. To arrange and manage the triennial valuation of the pension fund.
14. To ensure compliance with the Data Protection Act 1998.
15. The Administering Authority and it's agents will respond to queries from employers external or internal auditors within 5 working days or advise when a full response can be sent if not possible within that time frame.
16. The Administering Authority and it's agents will respond to relevant Freedom of Information requests within 14 working days if possible or advise when a full response can be sent if not possible within that time frame.
17. The Administering Authority will reply to any Pension Ombudsman query within 30 days of receipt or advise of reason for further delay.

Employers

The main duties of the Employer are:

1. To decide who is eligible to become a member of the Scheme. The employer must abide by any admission agreement entered into with the administering authority if applicable. If there is a closed admission agreement only the named employees can be entered into the LGPS
2. To decide whether that person is employed in a full time, part time, variable time or casual capacity. If the employee is part time the employer must determine the proportion

which the employees' contractual hours relate to the hours of a comparable full time, employee.

3. To determine the pay of employees for the purposes of calculating the pension contributions.
4. To determine final pay for the purposes of calculating benefits due from the Scheme.
5. To issue a notification to any employees who cannot become members of the Scheme explaining the reason(s) why.
6. Where, after reasonable efforts, an employee fails to provide information relating to previous service, provide basic information to the Administering Authority.
7. At cessation of membership of the Scheme, to determine the reason for leaving and entitlement to benefit and notify the Administering Authority and the Scheme member of the decision.
8. To supply timely and accurate information to the Administering Authority to ensure the correct calculation of benefits payable from the Scheme.
9. To deduct Additional Voluntary Contributions (AVCs) from a member's pay and pay over to the provider within the statutory deadlines.
10. To be responsible for exercising the discretionary powers given to Employers by the regulations. These regulations also require the Employer to publish its policy in respect of these key discretions.

11. To provide a notice, drawing the employee's attention to their right of appeal under the LGPS, with any statement issued to an employee relating to any decision made about the Scheme.
12. To use an Independent Registered Medical Practitioner qualified in Occupational Health medicine that has been approved by the Administering Authority in determining ill health retirement.
13. To repay to the Scheme member any incorrectly deducted employee's contributions.
14. To provide the Administering Authority with Monthly and Year-end information as at 31 March each year in an approved format.
15. To provide the Administering Authority with an audited copy of the final statement which shall also contain the name and pensionable pay of each employee who is an active member, the amounts which represent pension deductions from pay for each of those employees and the periods covered by the deductions and any other information requested. The information should also distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.
16. To be responsible for complying with the requirements for funding early retirement for whatever reason as required by the Administering Authority using actuary factors.
17. To cover any professional costs for legal or actuarial services that are incurred by the

administering authority on behalf of any employer investigating any amendment in relation to its members of the scheme. An example of this would be where an (transferee) employer wishes to tupe eligible staff to another employer (transferor) and the transferor wishes to become an admitted body within our fund. The transferee employer would be expected to meet the actuarial and legal costs associated with the process and will be invoiced for this. Costs may occur in other circumstances where employers require an individual response on either a legal or actuarial matter.

18. Pay the Administering Authority interest on payments due from the Employer which are overdue by more than one month.
19. Where a member leaves the Scheme and full contributions have not been deducted for whatever reason, immediately make payment of outstanding member's and Employer's contributions to the Administering Authority.
20. To ensure compliance with Data Protection Act 1998.
21. The employer and it's agents will respond to queries from the Administering Authorities external or internal auditors within 5 working days or advise when a full response can be sent if not possible within that time frame.
22. The employer will reply to the Administering Authority on any query relating to a Pension Ombudsman issue with 14 days of request to allow the Administering Authority to respond to the Pension Ombudsman.

23. The employer must advise the Administering Authority of any change of contact details for the payroll or finance functions for communication purposes.
24. The employer is responsible for all Auto enrolment functions and must advise the Administering Authority of anyone auto enrolled as per the normal new starter process. Employers are advised to contact the pension regulator directly if they have any queries see link to website. <http://www.thepensionsregulator.gov.uk/>

4. Liaison, engagement and communication strategy

The Administering Authority will issue and annually review their Local Government Pension Scheme Communications Policy

The policy will include a strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

This policy document will set out the mechanisms that the Administering Authority will use to meet their communication responsibilities it will also include details of what is communicated and the frequency.

Annually the Administering Authority will issue an engagement plan that will include events for employers, members of the scheme and perspective members of the scheme.

The Communications policy will be updated on the Hammersmith and Fulham Pension Fund where it can be found

under the Forms and Publications sub heading under the About us main tab.

See link to the pension fund website below.

<http://www.wccpensionfund.co.uk/>

5. Standard of expected service between the Administrating Authority and the employers

Who *	Administration Description	Performance Targets
	<u>New Starters and Transfers In</u>	
E	<p>New starter: The Employer must advise all eligible employees of their membership of the scheme. Members should be given the details of the Pension Fund website http://www.wccpensionfund.co.uk/</p> <p>Members must be advised that transfers into the scheme must be requested in the first year of joining or thereafter at their employer's discretion.</p> <p>Members must be advised that all necessary forms and contact details are available on the Pension Fund website.</p>	On the first day of the members employment if not provided prior to the start.
E	<p>New scheme member: Employer to send to the Administrating Authority the details of the new member. Completing the new starter form available on the website or by sending a file in an approved format by WAA to SCC.</p>	Details to be provided to SCC by the last working day of the month following the first payroll deduction of pension.
AA	<p>New scheme member Administrating Authority to create a new pensions record from the completed notification from the Employer.</p>	By the last working day of the month following the data submission by the employer.

AA	<p>New scheme member: Administrating Authority to request a transfer quote from the new member's previous scheme.</p>	Within 30 days of receipt of authorisation from the employee. If transfer factors are currently available. If not the member is to be advised of the delay within the same timescale.
AA	<p>New scheme member: Administrating Authority to credit member record with membership due from transfer of previous pension benefits.</p>	Within 30 days of receipt of payment from previous scheme.
AA	<p>New Scheme member:</p>	
	Notification of service purchased by an incoming transfer to be provided to the scheme new member.	Within 30 days of receipt of the all the information
	<u>Existing members and schemes</u>	
AA	Changes to data which materially affect actual or potential benefit calculations to be processed and provided to the member concerned.	Within 30 days of occurrence or receipt of all necessary information, whichever is later.
AA	Admissions and Inter Fund Adjustment (IFA) in to be notified to the members concerned.	Within 30 days of receipt of all necessary information.
AA	Transfers and Inter Fund Adjustment IFA out to be notified to the receiving scheme.	Within 30 days of receipt of all necessary information
AA	The terms of purchasing additional pension to be notified to the member concerned.	Within 15 days of receipt of all necessary information.
AA	Refund of contributions, where due under the Regulations, to be calculated and paid.	Within 14 days of receipt of all necessary information
AA	Upon notification of a death notification of a pensioner; arrangements put in place for pension payments to cease immediately.	Within 1 working day of receipt of all necessary information
AA	Letters will be sent to next of kin or other relevant party.	Within 5 days of receipt of notification of a death or within 5 days of receipt of all relevant information.
	Setting up of any dependents pension.	Within 14 days of receipt of all necessary information.

6. Pensions Administration Strategy – Schedule of Charging

Hammersmith and Fulham acting as Administering Authority (WAA) wishes to support its fund employers to enable them to provide all relevant data to both members and to WAA as per the requirements of the PAS set out above. Any employer who is unclear on the requirements of the PAS or is struggling with any aspect of the requirements should inform WAA of any concern as soon as possible, WAA will provide support where it can. WAA's first priority is to ensure compliance for the benefit of members and employers, ensuring that accurate data is stored for members. That pension can be processed quickly and accurately when required and that WAA and its employers all meet their statutory obligations.

Where additional costs have been incurred by the Administering Authority as a direct result of an Employer's poor performance these costs will be recovered from the Employer.

The Administering Authority will give the reasons for doing so in accordance with the regulations.

In addition to the schedule below other circumstances could generate a charge:

- Instances where the performance of the Employing Authority has resulted in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman, HMRC or other regulatory body.
- Additional cost incurred in providing specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial

services, occupational medical practitioner services and legal services.

- Persistent failure to resolve issues in a timely and satisfactory fashion.

In these circumstances the Administering Authority will set out the calculations of any loss or additional cost incurred, in writing, stating the reason for the cost(s) and the basis for the calculation.

WAA will monitor aspects of the PAS on a quarterly basis, the aspect monitored may change and not all employers data will necessarily be reviewed on each occasion. WAA will be reviewing data from SCC to ensure its own compliance which will be reported on to the Pension fund Committee and the Pension

board. WAA will also seek evidence from SCC of employer compliance with the PAS but may also request data directly from the employer who will be expected to respond with relevant evidence or assurance of compliance where relevant. If an employer does not respond to any request for information within **30 days** of request then this will also be chargeable at **£200** an occasion.

Administration Description	Performance Targets	Charge
<u>New Starters and Transfers In</u>		
New scheme member: Employer to send to the Administering Authority the details of the new member.	Within 25 working days after the start date.	£50 per case
<u>Leavers and Transfers out</u>		
Scheme Leaver: Employer to send the Administering Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	£50 per case
Retirements: Employer to send the Administering Authority a completed notification.	At least 15 working days before their final paid day of work.	£50 per case
<u>Deductions</u>		
Monthly deductions: Employer to send funds and schedule of deductions from salary to the Administering Authority.	By the 19th day of the month following the month in which contributions were deducted.	£100 per instance of late payment.
Payment of Other Sums Due: Employers should make payment of any invoiced sums as set out within this PAS within 30 days of invoice date.		

7. Strategy to develop web enabled services for employers and employees.

In 2016/17 the Administrating Authority will implement, develop and engage employers in an on line portal. Initially, the portal will be used for data sharing with employers and information communication with employees.

Whilst forms will be restricted to being downloaded completed and resent, it is anticipated that the portal will be developed to allow members of the scheme to self-serve e-forms direct to the scheme administrators.

8. Further Information

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Appendix 6. Annual Report of the Pension Board

The role of the Local Pension Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The LGPS scheme regulations
- Other governance and administration legislation
- The requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Local Pension Board is required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires Local Pension Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of the Local Pension Board should focus on the processes involved in the governance of the Fund. For example, are policies and procedures up-to-date, are the requirements of the Pensions Regulator being met and is the Fund following recognised best practice?

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

Elected Members

- Councillor Rory Vaughan (Chair)
- Councillor Bora Kwon

Appointees

- Mr Neil Newton
- William O'Connell
- Khadija Sekhon

During the year 2020/21 the Local Pension Board met twice:

- 19 November 2020
- 10 February 2021

During the year, the Local Pension Board had a varied and extensive work programme covering the following areas:

- The monitoring of quarterly fund investment performance, including an environmental, social and governance (ESG) issues report of the Fund's underlying investments
- Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register
- Pensions administration key performance indicators

The Board also reviewed the following work during the year:

- The recent organisational decision to appoint a new pensions administration provider and the associated ongoing project work needed to transition across
- The recent Pension Fund Committee review of the fund's investment consultant's performance against desired aims and objectives.

Annual Report of the Pension Board (continued)

The Board underwent the following training in the year:

The Board attended three half-day bespoke training events that took place in November 2020, December 2020 and February 2021 and covered the following topics:

- 2020 from an actuarial perspective and funding updates
- The Macro-Economic outlook
- Asset allocation and portfolio construction
- Diversity in the asset management industry
- Investing in renewable energy
- LGPS current developments
- Physical climate risk management
- Impact investing
- Responsible investment
- Behavioural finance
- How asset managers approach risk management
- Fixed income update
- Risk and compliance perspective from an asset pool
- Environmental risk

Councillor Rory Vaughan

Chair, LBHF Local Pension Board

June 2021



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