London Borough of Hammersmith & Fulham

Pension Fund Committee

Agenda

Monday 20 September 2021 at 7.00 pm
Main Hall (1st Floor) - 3 Shortlands, Hammersmith, W6 8DA

You can watch the meeting live on YouTube:
https://youtu.be/GCg-UNBHuEQ

MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy (Chair) Councillor Jonathan Caleb-Landy Councillor Rowan Ree Councillor Helen Rowbottom Councillor Guy Vincent	Councillor Matt Thorley
Co-optee	
Michael Adam Peter Parkin	

PLEASE NOTE: This meeting will be held in person and is open to the public and press, but spaces are limited due to social distancing requirements. If you would like to attend in person, please contact amrita.white@lbhf.gov.uk

The meeting will also be live streamed on YouTube: https://youtu.be/GCg-UNBHuEQ

For further information please read the public attendance notice on the following page

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www.lbhf.gov.uk/committes

Date Issued: 10 September 2021

Covid Guidance for Attendees

Members of the public and press are welcome to attend the meeting but unless you have to attend, we recommend watching on YouTube: https://youtu.be/GCg-UNBHuEQ

If you need to attend in person, you can do so but spaces are limited due to social distancing measures. Please contact amrita.white@lbhf.gov.uk and say which item you would like to attend for. Priority will be given to those who are participating in the meeting. Observers will be allocated seats on a first come first serve basis.

Before attending the meeting
Do not attend a meeting if you are experiencing Coronavirus symptoms.

Anyone experiencing symptoms of Coronavirus is eligible to book a swab test to find out if they have the virus. You can register for a test after checking your symptoms through the NHS website: https://www.gov.uk/get-coronavirus-test or by calling 119

Even if you are not experiencing Coronavirus symptoms, you should take a lateral flow test in the 24 hours before attending the meeting.

You can order lateral flow tests online or visit one of our testing centres:
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Attending the meeting
To make our buildings Covid-safe, it is important that you observe the rules and guidance on social distancing and hand washing. Face coverings must be worn when entering the building and in communal areas but can be removed when seated.

You must follow all the signage and measures that have been put in place. They are there to keep you and others safe.

Security staff will be waiting in reception to direct members of the public to the meeting room.

London Borough of Hammersmith & Fulham

Pension Fund Committee
Agenda

Item		**Pages**
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST**	

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

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

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

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

3. MINUTES OF THE PREVIOUS MEETING 6 - 14

To approve the minutes of the meeting held on the 21st July 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

4. DRAFT MINUTES OF THE PREVIOUS PENSION BOARD MEETING 15 - 19

Draft minutes of the Pensions Board meetings held on the, 9th June 2021 (for information)

LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION

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

London Borough of Hammersmith & Fulham

Pension Fund 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

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)

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/glPnRdtwgxk

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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Agenda Item 5

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 20 September 2021

Subject: Leisure Development Opportunity

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

Summary

The Pension Fund Committee (the Committee) has previously been provided with information on the Darwin Leisure Fund as an alternative asset class, with the Committee previously expressing interest in allocating capital to the investment strategy.

This paper refreshes the Committee with information on a niche alternative asset class in Leisure Development. A presentation will be provided by Darwin Alternatives (Darwin), a leading asset manager in this field, and with an established foothold in the Local Government Pension Scheme (LGPS) with a view to making an investment allocation.

The asset class is to be considered as a diversifier from mainstream asset classes and will contribute to the Fund's inflation protection objectives.

The asset class is also considered to comply with Environmental Social and Governance (ESG) credentials, particularly the environmental aspect, given the provision of vacation facilities without the need for customers to use air travel.

Recommendations

The Committee is requested to:

1. Approve a 2.5% allocation of Pension Fund assets to the Darwin Leisure Development Fund.

Wards Affected: None

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

	payers.

Financial Impact

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

There is no direct financial impact on the Council as all costs and returns are segregated within the Pension Fund.

Legal Implications

The Council's obligations as the administering authority of the Pension Fund are to comply with the requirements of the Local Government Pension Fund Regulations 2013 and the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016, and the Funding Strategy Statement and Investment Strategy made in accordance with these regulations. There is no obligation to comply with the public procurement rules which have no application in relation to investment decisions.

Implications prepared by John Sharland, Senior solicitor (Contracts and procurement) Telephone :07979 907148, Email: john.sharland@lbhf.gov.uk

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Name: Phil Triggs
Position: Director of Treasury and Pensions
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Verified by Emily Hill, Director of Finance

Background Papers Used in Preparing This Report

None

Asset Class Review

1. Background

1.1. The Pension Fund Committee has previously been provided with a detailed review on the Leisure Development Fund by Darwin and expressed interest in the opportunity.

1.2. The Leisure Development Fund focuses on investing in UK holiday parks, particularly consolidating fragmented smaller operators and improving the offering to generate greater returns.

1.3. The Pension Fund’s investment consultant, Deloitte, has indicated the Leisure Development Fund would be worthy of consideration by the Pension Fund Committee.

1.4. Darwin are the only large scale asset manager who operate in this asset class and were the first movers bringing this strategy to mainstream investors, which is why the Committee is only asked to consider the one asset manager for the mandate.

1.5. Darwin will present at the meeting, outlining the benefits of the strategy, and will take questions from members.

2. Investment Strategy

2.1. The Leisure Development Fund fits in to the Pension Fund’s replacement for the Inflation Protection fund with M&G. Previously this capital was earmarked to the Henley Supported Social Housing Fund, which as has been updated to the Committee previously, will no longer be going ahead. Officers believe that the Leisure Development Fund is a suitable alternative with similar characteristics of long term, inflation linked cash flows.

2.2. The key benefits and risks of the strategy set out by Darwin are shown below.

Benefits

- Long term stable cash flows with inflation-linked returns.
- Inefficient, fragmented market, leaving room for consolidation.
- High barriers to entry for new assets due to competing demands for land use.
- The current COVID-19 pandemic and ongoing environmental trends should result in the demand for UK based holidays to continue to rise in the coming years.

Risks

- Once the initial consolidation of smaller operators has been completed, the current surge in growth may be difficult to replicate.

- The asset class is still relatively new and untested relative to other mainstream asset classes, with few asset managers in the market.

- Reputational risk – any incidents at any of the parks could fall back on the Fund.

3. Risk Management Implications

3.1. Risks are outlined in the report.

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

None

Agenda Item 6

London Borough of Hammersmith and Fulham

Report to: Pension Fund Committee

Date: 20 September 2021

Subject: Governance Review Recommendations

Report of: Phil Triggs, Director of Treasury and Pensions

Executive Summary

1.1 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.

1.2 This paper provides the Pension Fund Committee with a progress log of the recommendations that came from that review, and results achieved to date on them.

Recommendations

1. The Pension Fund Committee is recommended to note each log.

Wards Affected: None

LBHF Priorities

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

Financial Impact

- None

Legal Implications

- None

Contact Officers:

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Verified by Phil Triggs

Background Papers Used in Preparing This Report

Consultant's governance report

DETAILED ANALYSIS

1. Background

1.1. A Treasury and Pensions review of Tri-Borough arrangements 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 commission an independent governance review of the LBHF Pension Fund.

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

1.3. Mr Raisin completed his governance report in November 2020 and the report was presented to the committee on 3 March 2021.

1.4. The report made 32 recommendations, which have been recorded in a progress log to demonstrate the various stages of completion of the recommendations.

1.5. The log shows that good progress has been made, with 9 recommendations implemented, and 12 commenced.

List of Appendices:

Appendix 1: Log of Recommendations

Recommendations Log					
Recommendation number	**Recommendation**	**Timeline immediancy**	**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 Peter Parkin. The recruitment of future employer representatives will be actioned after the new service with 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, such as the transfer to LPPA.
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		Progress Started	Will be 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		Progress Started	Will be 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		Progress Started	Initial report was considered at the 21 July 2021 committee
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	Progress Started	This is scheduled to be provided by Eversheds pension fund lawyers 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		Progress Started	
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	Progress Started	
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	Not Started	Scheduled for later in 21/22
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	Not 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	Not 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 prepared in respect of any "Community Admission Body" in the LBHF Pension Fund which specifically identifies the current position regarding their covenant with the Fund and which makes proposals for the ongoing monitoring and, as appropriate, strengthening of these covenant arrangements.	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. Cognisance should also be taken of relevant CIPFA Guidance including "Administration in the LGPS A guide for pensions authorities" (November 2018) and "Managing Risk in the LGPS" (December 2018).	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.			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.			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		Progress Started	Recruitment process is underway

Agenda Item 7

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 20 September 2021

Subject: Pension Fund Quarterly Update Pack

Report of: Patrick Rowe, Pension Fund Manager

Executive Summary

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

a. overall performance for the quarter ended 30 June 2021;
b. cashflow update and forecast;
c. assessment of risks and actions taken to mitigate these.

Recommendations

1. The Pension Fund Committee is recommended to note the update.

Wards Affected: None

H&F Priorities

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

Financial Impact

- None

Legal Implications

- None

Contact Officer(s):

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Name: Matt Hopson
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Email: mhopson@westminster.gov.uk

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

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. LBHF Pension Fund Quarterly Update – Q1 2020/21

1.1. This report and attached appendices make up the pack for the quarter one (Q1) ended 30 June 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.

1.2. 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.

1.3. Appendix 3 provides information about the Pension Fund's investments and performance. The highlights from the quarter are shown below:

- In general, this has been a positive quarter for equity markets due to a number of positive activities that have taken place over this quarter, namely, the continued roll out of the COVID-19 vaccines, and the degree of assurance this has been giving of events returning to a relative normality, and the continued belief by scientists of its efficacy.

- Overall, the investment performance report shows 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 £57.4m 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.

- The highlights over the quarter to 30 June 2021 came from the performance of the PIMCO Global Bond Fund and Oak Hill Advisors, who both outperformed their benchmarks.

1.4. The Pension Fund's cashflow monitor is provided in Appendix 4. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 31 March 2022. An analysis of the differences between the actuals and the forecasts for the quarter is also included.

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

2. Risk Management Implications

2.1 This is included in the risk registers.

3. Other Implications

3.1. n/a

4. Consultation

4.1. n/a

List of Appendices:

Appendix 1: Scorecard at 30 June 2021
Appendix 2: Pension Fund ESG Report
Appendix 3a: Deloitte Quarterly Report for Quarter Ended 30 Jun 2021
Appendix 3b: Deloitte Quarterly Report for Quarter Ended 30 Jun 2021 (EXEMPT)
Appendix 4: Cashflow Monitoring Report
Appendix 5: Pension Fund Risk Registers

Appendix 1

Scorecard at 30 June 2021

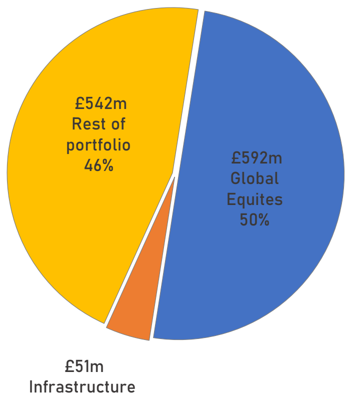
London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report

	March 21	Apr 21	May 21	Jun 21	Report reference
Value (£m)	1, 213.2	1,239.1	1,237.1	1,257.6	IRAS reports
% return quarter	2.93%	6.27%	5.22%	4.23%	
% return one year	21.89%	18.90%	14.32%	14.32%	
LIABILITIES					
Value (£m)	1,288	1,310	1,323	1,335	BW funding update
Surplus/(Deficit) (£m)	(71)	(77)	(84)	(86)	
Funding Level	95%	94%	94%	94%	
MEMBERSHIP					
Active members	4,467				Reports from Surrey not requested for June
Deferred beneficiaries	5,914				
Pensioners	5,368				
Active Employers	52				
CASHFLOW					
Cash balance	£1.7m	£3.0	£2.3	£3.0	Appendix 4
Variance from forecast	£0.24m	£0.3	£1.2	£2.7	
RISK					
No. of new risks	0	0	0	0	Appendix 5: Risk Register
No. of ratings changed	0	0	0	5	
LGPS REGULATIONS					
New consultations	None	None	None	None	
New sets of regulations	None	None	None	None	

Enviromental, Social & Governance (ESG) Report — 30 June 2021

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

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



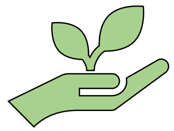
46.3k

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

Estimated Carbon Savings (tonnes p/a)

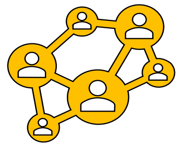
MSCI Low Carbon	Aviva Infrastructure
44.7k	10.1k

Key Highlights



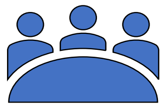
57%

CO_2 emissions saved by investing in the MSCI Low Carbon Fund



112

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



59

number of companies engaged over the last quarter by LAPFF

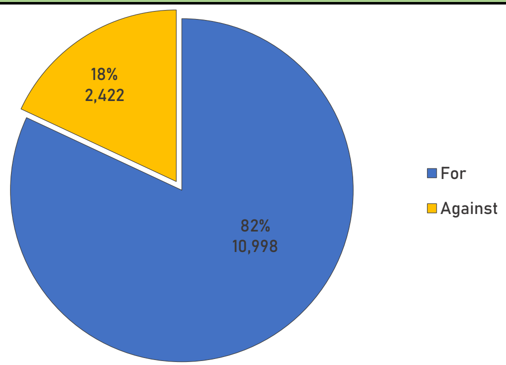
Investment in Low Carbon Assets

£647mil	51%

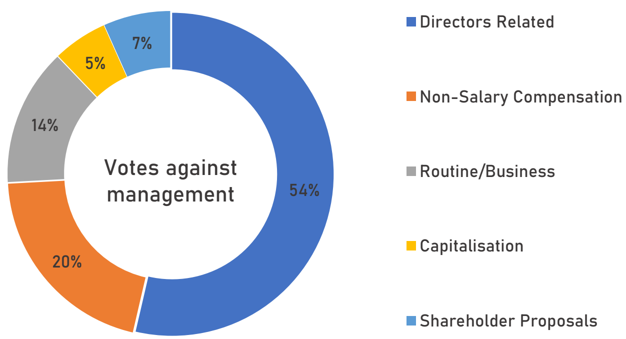
Low Carbon Investments	£000
Equities	592,342
Aviva Infrastructure	24,855
Partners Infrastructure	26,312
LCIV Green Bonds	3,289

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

Voting Summary

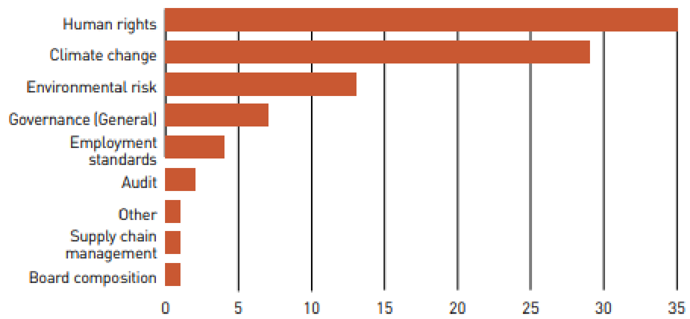


Voting Breakdown



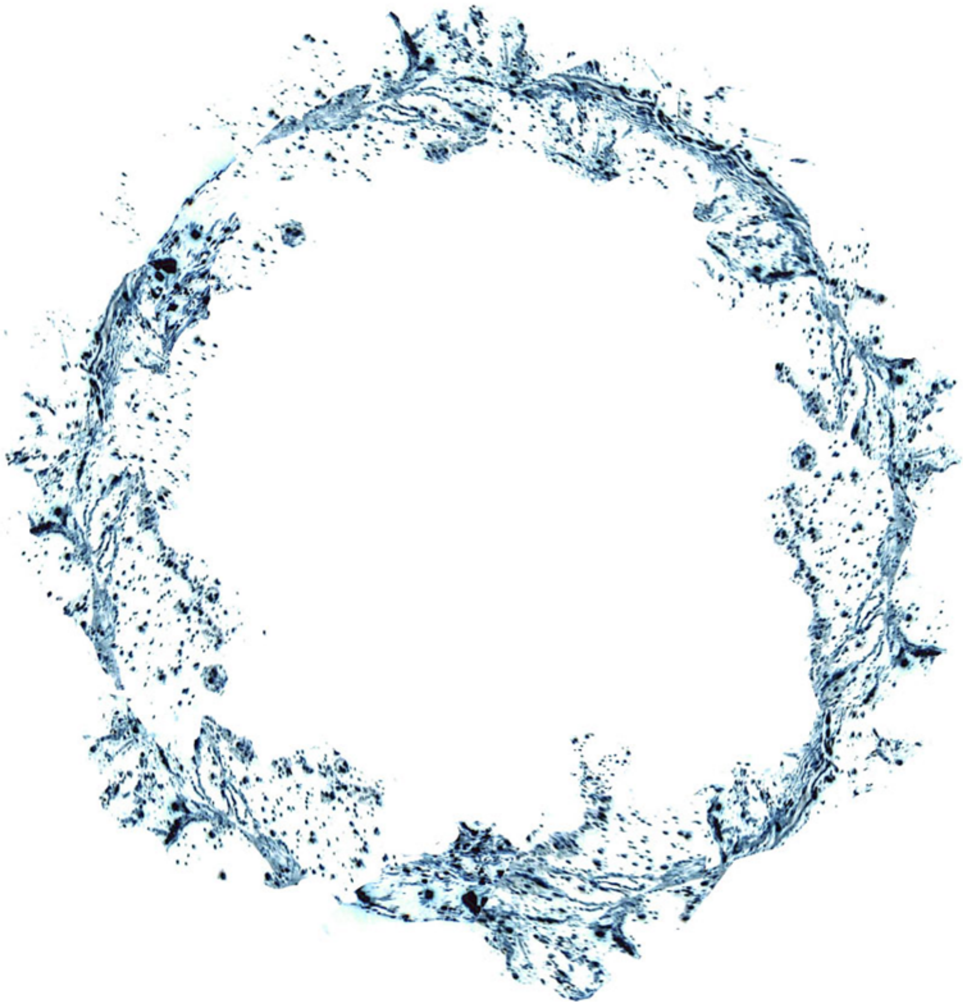
LAPFF Engagement

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.



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

Deloitte.



London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 30 June 2021

Deloitte Total Reward and Benefits Limited
September 2021

Contents

1 Market Background

Global Equities

Global equity markets continued to make gains in the second quarter of 2021. The accelerated rollout of COVID-19 vaccines globally led to an easing of restrictions and a rebound in economic activity. That's not to say that there weren't bouts of volatility over the second quarter with investors growing increasingly concerned around rising inflation and tighter monetary policy. Ultimately however, both the UK's Monetary Policy Committee and Federal Reserve reassured investors that they weren't planning pre-emptive action with the Fed indicating no rate rises until at least 2023 at the earliest.

Over the second quarter of 2021, global equity markets delivered a return of 7.1% in local currency terms, or 7.3% in sterling terms, with sterling exchange rates broadly unchanged versus the basket of global currencies over the quarter. All global regions made gains with the US delivering the highest return of 8.8% (in local terms) and Japan delivering the lowest return of 0.1% (in local terms). At the sector level, the first two months of the quarter saw sectors sensitive to economic recovery outperform. However, as central banks reassured investors and Delta cases grew, the Technology sector performed very strongly.

UK equities delivered a positive return of 5.6% over the quarter, slightly underperforming overseas markets. Underperformance was relatively minor compared to the recent past, and mainly due to sector biases in the UK market with relatively lower exposures to the best performing sectors such as Technology, and relatively larger exposures to sectors such as Oil & Gas and Financials which delivered more modest returns.

Government bonds

UK nominal gilt yields fell over the second quarter, most notably at mid-to-long maturities, where yields tightened by 10-15 bps. This was in part driven by a fall in future inflation and growth expectations as a result of increased concern over the Delta variant and its potential negative impact on the reopening of the UK economy. The All Stocks Gilts Index therefore delivered a positive return of 1.7%% over the quarter, whilst the Over 15-year Index delivered a higher return of 3.2%.

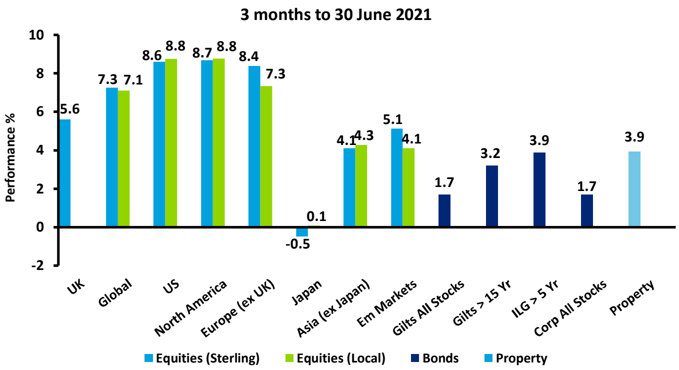
Real yields also decreased by up to 15 bps for longer maturities, but increased by up to 15 bps at short maturities due to the fall in inflation expectations at the short-end. The All Stocks Index-Linked Gilts Index delivered a return of 3.6% as a result.

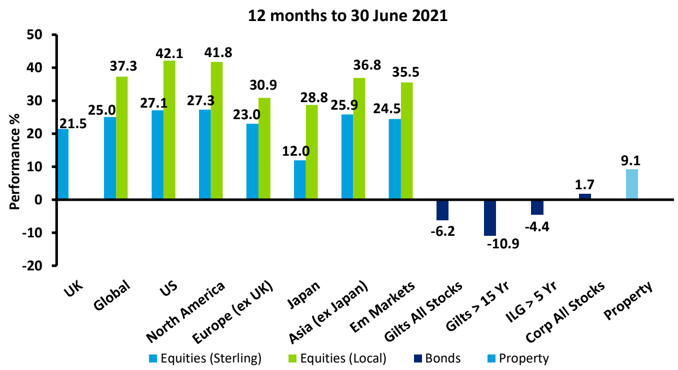
Corporate bonds

Sterling denominated corporate bond yields followed gilt yields lower over the second quarter. Credit spreads marginally narrowed, and remained below historic average levels, with an improved economic outlook benefiting corporate earnings. Central bank reassurance will have also helped to keep spreads low. The combination of a fall in underlying gilt yields and a small tightening of credit spreads caused the iBoxx All Stocks Non-Gilt Index to return 1.7% over the three months to 30 June 2021.

Property

The MSCI UK All Property Index delivered a return of 3.9% over the second quarter, and a return of 9.1% over the 12 months to 30 June 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. We note that these return figures should be caveated given the relatively low level of transaction activity compared to pre-pandemic levels, the pricing lag typical in more illiquid property markets, and continued issues around rental collections and the previous accumulation of rent arrears.





2 Performance Overview

2.1 Investment Performance to 30 June 2021

Breakdown of Fund Performance by Manager as at 30 June 2021 Fund	Manager	3 month	1 year	3 year p.a.	5 year p.a.
Equity Mandate					
	LCIV Global Equity Core Fund	6.2	n/a	n/a	n/a
MSCI AC World Index		7.3	n/a	n/a	n/a
Difference		-1.1	n/a	n/a	n/a
	LGIM Low Carbon Mandate	7.7	24.9	n/a	n/a
MSCI World Low Carbon Target Index		7.8	25.1	n/a	n/a
Difference		-0.1	-0.2	n/a	n/a
Dynamic Asset Allocation					
	LCIV Absolute Return Fund	0.7	14.3	6.7	6.0
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.5	4.5
Difference		-0.3	10.2	2.2	1.5
Global Bonds					
	LCIV Global Bond Fund	2.8	4.7	n/a	n/a
Barclays Credit Index (Hedged)		2.1	2.7	n/a	n/a
Difference		0.7	2.0	n/a	n/a
Secure Income					
	Partners Group MAC[2]	14.0	8.9	4.0	4.9
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.5	4.5
Difference		13.0	4.9	-0.5	0.4
	Oak Hill Advisors	1.8	11.7	4.1	4.6
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.5	4.5
Difference		0.7	7.6	-0.4	0.1
	ASI MSPC Fund	0.9	2.8	n/a	n/a
Blended benchmark[4]		1.0	1.6	n/a	n/a
Difference		-0.1	1.2	n/a	n/a
	Partners Group Infra[2]	4.6	14.5	13.6	6.6
	Aviva Infra Income[3]	-1.7	-1.8	1.9	n/a
Inflation *Protection*					
	ASI Long Lease Property Fund	2.4	6.0	5.7	7.0
FT British Government All Stocks		2.4	-4.2	5.1	4.0
Difference		0.0	10.2	0.6	3.0
Total Fund		4.2	14.3	7.8	8.6
Benchmark[1]		4.2	12.8	8.7	8.9
Difference		0.0	1.6	-0.9	-0.3

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 May 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 June 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 June 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund - Net of fees	4.2	14.3	7.8	8.6
Benchmark(1)	4.2	12.8	8.7	8.9
Net performance relative to benchmark	0.0	1.6	-0.9	-0.3

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

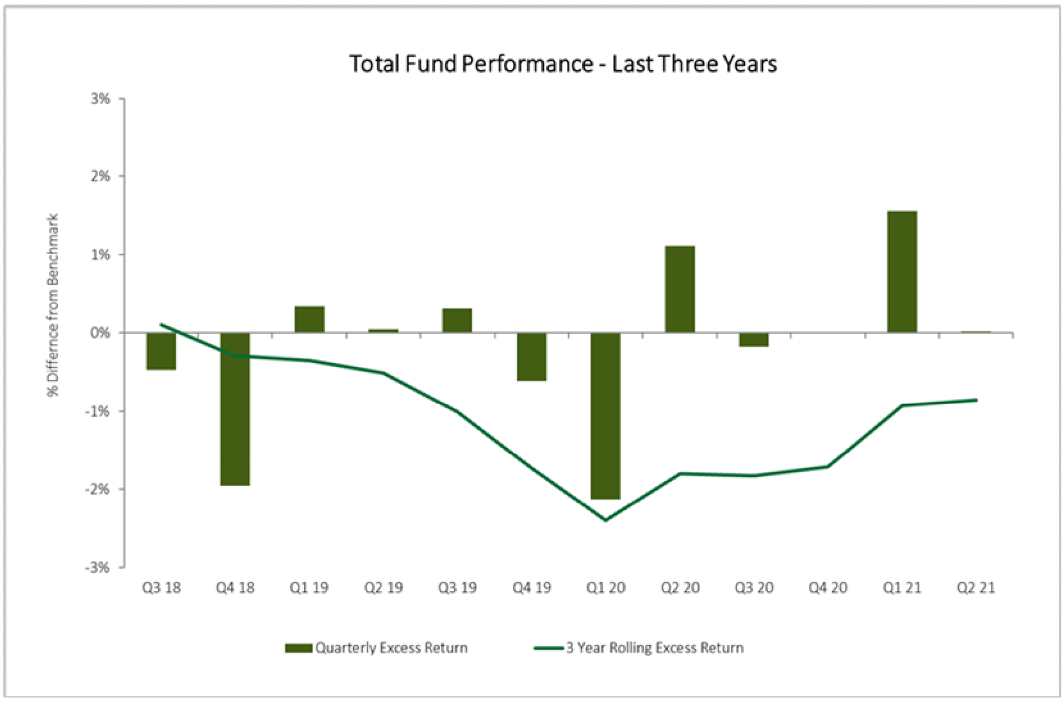
(1) Fixed weight benchmark

The Total Fund delivered a positive absolute return of 4.2% on a net of fees basis over the second quarter of 2021, performing in line with the fixed weight benchmark.

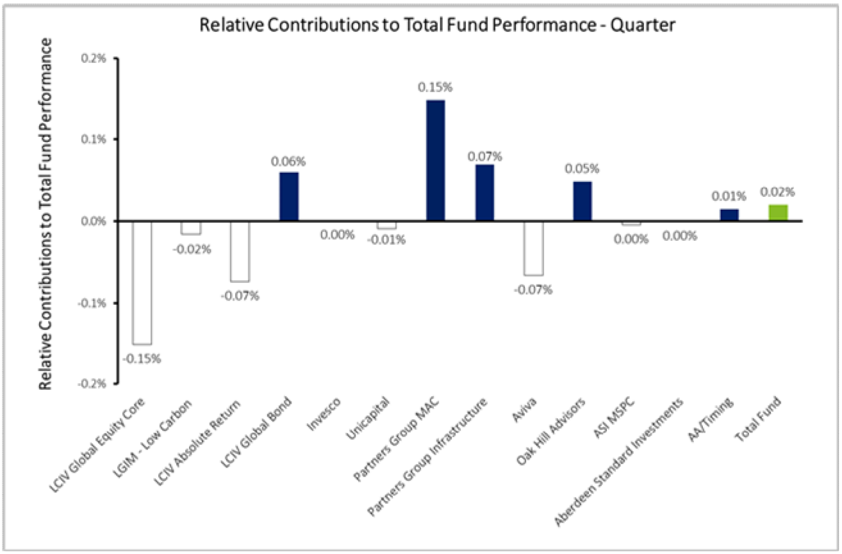
Over the year to 30 June 2021, the Total Fund delivered a positive absolute return of 14.3% on a net of fees basis, outperforming its fixed weight benchmark by 1.6%. Over the longer three and five year periods to 30 June 2021, the Total Fund underperformed the fixed weight benchmark by 0.9% p.a. and 0.3% p.a. respectively, delivering positive absolute returns of 7.8% p.a. and 8.6% p.a. respectively on a net of fees basis.

Underperformance over the three year period to 31 March 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 June 2021. The 3-year rolling excess return remained negative over the second quarter of 2021.

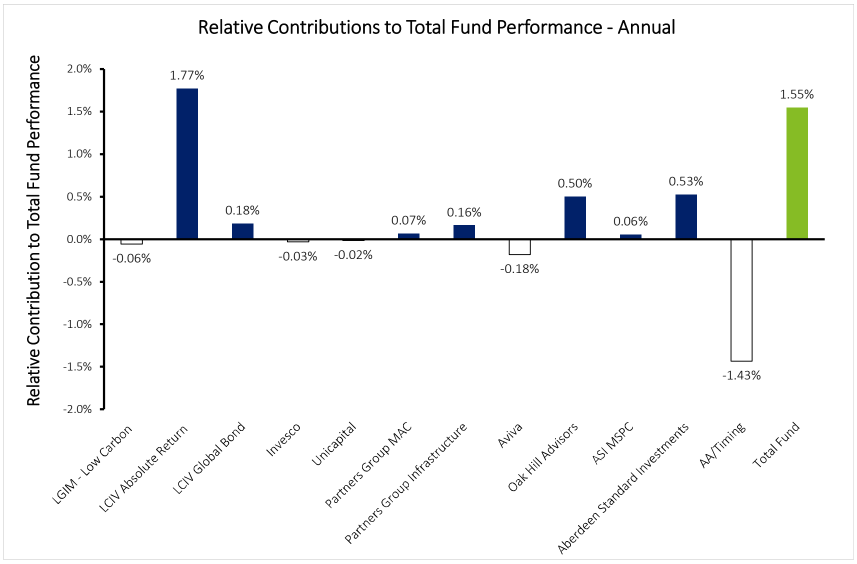


3.2 Attribution of Performance to 30 June 2021



The Total Fund performed broadly in line with its fixed weight benchmark over the quarter to 30 June 2021. The Partners Group Multi Asset Credit Fund was the primary driver of outperformance over the quarter, having outperformed its cash-plus benchmark. The Partners Group Infrastructure Fund, Oak Hill Advisors Diversified Credit Strategies Fund and the LCIV Global Bond Fund, managed by PIMCO, also delivered an extent of outperformance over the quarter having outperformed their respective cash-plus and credit-based benchmarks over the three-month period. Please note, however, that we would expect relative performance differences over shorter time horizons where strategies are measured against cash-plus benchmarks.

This positive outperformance was primarily offset by the LCIV Global Equity Core Fund which underperformed the broader equity market for the third quarter in succession, despite delivering positive absolute returns, partially due to weaker stock selection compared with the MSCI benchmark. Underperformance over the quarter was also driven by the LCIV Absolute Return Fund and the Aviva Investors Infrastructure Income Fund, with both funds having underperformed their respective cash-plus benchmarks with the Aviva strategy impacted by some identified issues in the biomass asset portfolio.



Over the year to 30 June 2021, the Fund outperformed its fixed weight benchmark by c. 1.6% with outperformance over the year primarily driven by the LCIV Absolute Return Fund, with the manager's strategic allocations proving resilient across a variety of market environments, outperforming its benchmark over each of the first three quarters of the year to 30 June 2021. The ASI Long Lease Property Fund outperformed its gilts-based benchmark over the year and Oak Hill Advisors outperformed its cash-plus benchmark with the strategy's high yield bonds and leveraged loans exposures delivering positive returns over the year as credit spreads narrowed. The large negative contribution provided by the "AA/Timing" bar represents the impact of the Fund's investment in the M&G Inflation Opportunities Fund, which underperformed its RPI-based benchmark over the period from the end of Q2 2020 to the point of disinvestment on 1 September 2020, and also includes the negative performance of the LCIV Global Equity Core Fund since its inception into the portfolio relative to its benchmark.

3.3 Asset Allocation

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

Manager	Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
		31 Mar 2021 (£m)	30 June 2021 (£m)	31 Mar 2021 (%)	31 June 2021 (%)	
LCIV	Global Equity Core	174.8	181.4	14.4	14.4	15.0
LGIM	Low Carbon Equity (passive)	381.4	410.9	31.4	32.6	30.0
	Total Equity	**556.2**	**592.3**	**45.8**	**47.0**	**45.0**
LCIV	Absolute Return	280.7	282.6	23.1	22.4	10.0
LCIV	Global Bond	107.3	109.6	8.8	8.7	10.0
	Total Dynamic Asset Allocation	**388.0**	**392.2**	**32.0**	**31.1**	**20.0**
Partners Group[1]	Multi Asset Credit	13.9	11.7	1.1	0.9	0.0
Oak Hill Advisors	Diversified Credit Strategy	80.0	81.4	6.6	6.5	7.5
Partners Group[1]	Direct Infrastructure	32.0	35.6	2.6	2.8	5.0
Aviva	Infrastructure Income	25.5	24.9	2.1	2.0	2.5
Aberdeen Standard Investments	Multi Sector Private Credit	55.9	56.5	4.6	4.5	5.0
	Secure Income	**207.4**	**210.0**	**17.1**	**16.7**	**20.0**
Aberdeen Standard Investments	Long Lease Property	61.2	62.6	5.0	5.0	5.0
Alpha Real Capital	Ground Rents	-	-	-	-	5.0
Man GPM	Affordable Housing	-	-	-	-	2.5
	Total Inflation Protection	**61.2**	**62.6**	**5.0**	**5.0**	**15.0[2]**
Northern Trust	Trustee Bank Account	0.0	3.1	0.0	0.2	0.0
	Total[3]	**1,213.2**	**1,260.6**	**100.0**	**100.0**	**100.0**

Source: Northern Trust (Custodian) and have not been independently verified.
Figures may not sum to total due to rounding.
[1]Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 28 February 2021and 31 May 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 £0.4m which is invested in private equity allocations with Invesco and Unicapital, with these investments currently in wind down.

The Fund's overweight equity allocation increased over the quarter to 30 June 2021, 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 June 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 by Q4 2021 to Q1 2022. The Fund's commitment with Man GPM was closed on 2 June 2021 with an initial draw down request, including equalisation payment, issued on 18 June 2021 for £3.6m (c. 12% of total commitment) with the full £30m expected to be drawn over the next 6 years across quarterly and deal-specific requests.

3.4 Yield Analysis as at 30 June 2021

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

Manager	Asset Class	Yield as at 30 Jun 2021
LCIV	Global Equity Core	1.25%
LGIM	Low Carbon Equity	1.84%
LCIV	Absolute Return	0.78%
LCIV	Global Bond	2.52%
Partners Group	Multi-Asset Credit	6.50%
Oak Hill Advisors	Diversified Credit Strategy	5.10%
Aviva Investors	Infrastructure	6.90%[1]
Aberdeen Standard Investments	Long Lease Property	4.00%
	Total	1.90%

[1] Represents yield to 31 March 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	Richard Marshall leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years	1
	Multi Sector Private Credit	Significant changes to the investment team responsible for the Fund	1
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 £12,130m 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 June 2021, an increase of £1,042m over the quarter primarily as a result of new London Borough investments in each of the LCIV Sustainable Equity Fund, the LCIV Sustainable Equity Exclusion Fund, the LCIV Absolute Return Fund, the LCIV Real Return Fund and the LCIV Global Bond Fund, alongside the newly launched LCIV Global Alpha Growth Paris Aligned Fund.

The total assets under oversight, including passive investments held outside the London CIV platform, was £26.7bn as at 30 June 2021, an increase of c. £1.7bn over the quarter with cumulative commitments of £1.2bn yet to be drawn into the LCIV

Infrastructure Fund, LCIV Inflation Plus Fund, The London Fund, LCIV Renewable Infrastructure Fund and LCIV Private Debt Fund.

In April 2021, the London CIV launched the LCIV Global Alpha Growth Paris Aligned Sub Fund, managed by Baillie Gifford, following the launch of the Baillie Gifford Global Alpha Paris-Aligned Fund. The Paris-Aligned Fund is an exclusions-based variant of the core Global Alpha Growth Fund portfolio, designed to align to the objectives of the Paris Agreement. The Baillie Gifford Global Alpha Paris-Aligned Fund is managed by the same team as the Global Alpha Growth Fund, and inherits the same investment philosophy, fee and performance objective. There is currently a stock overlap of c. 94% between the two funds, and the Fund is expected to closely track the performance of the Global Alpha Growth Fund over time. Over the quarter, two London Boroughs invested in the Sub-Fund and the London CIV expects a further two London Boroughs to transfer assets from the LCIV Global Alpha Growth Fund into the Paris-Aligned Sub-Fund later in 2021.

Over the quarter, as reported last quarter, the London CIV appointed Hermes EOS as the firm's stewardship partner, with the aim to develop the London CIV's voting and engagement report. The London CIV and Hermes are currently collaborating to review the London CIV's risk management systems.

Personnel

Over the second quarter of 2021, the London CIV announced the appointment of Mick Craston as Chair designate of the firm, in succession to Lord Kerslake. The appointment is subject to FCA approval, but Mike is expected to take over the role in September 2021. Mike is Chair and a Non-Executive Director of Aviva Investors Holdings Limited. He is also Non-Executive Chair of the Railpen Investments Board, the body responsible for overseeing the activities of RPMI Railpen and, additionally, Mike serves as Trustee and Chair of the Investment Committee at Independent Age, a charity providing advice on care and support, money and benefits, and on, health and mobility. Prior to this, he held a number of roles at Legal and General, Aegon Asset Management, Scottish Equitable, and Schroders.

On 12 April 2021, Alison Lee joined the London CIV as a new Responsible Investment Manager. Alison will support Jacqueline Jackson in developing the London CIV's commitment to responsible investment and long-term sustainable investment strategies. Alison joins from ADM Capital where she was responsible for ESG integration across a range of asset classes.

As reported last quarter, Rob Hall, Head of Public Markets and Deputy Chief Investment Officer left the firm during June 2021. The London CIV has commenced the search to hire a new Head of Public Markets, with advertising for the new role commencing from 6 May 2021. Initial interviews and panel interviews for the role took place over June 2021.

Following quarter end, on 12 July 2021, Yiannis Vairamis was appointed as Senior Equities Portfolio Manager. Yiannis has previously been employed by Railpen, Russell and Hymans Robertson.

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. £539m as at 30 June 2021, an increase of c. £27m 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. $4.3bn as at 30 June 2021, representing an increase of c. $0.3bn over the second quarter of 2021 as a result of positive market movements.

Personnel

There were no significant changes to the International Equity Team over the second quarter of 2021.

Following quarter end, in August 2021, Morgan Stanley announced four new joiners to the International Equity Team, each based in London:

- Isabelle Mast joins as an Executive Director and Portfolio Manager covering Financials, moving from Fidelity having also previously worked at Citadel. Isabelle has 16 years of 'buy side' experience researching and investing in insurance companies and diversified financials. Over the coming months Isabelle will assume coverage of the insurance sector. Isabelle will also cover certain diversified financials (asset gatherers, asset managers and insurance brokers) and emerging markets banks.

- Anton Kryachok joins from Sculptor Capital (formerly OchZiff) as a Vice President and Research Analyst covering Banks. Anton has 11 years of experience.

- Jinny Hyun, previously an off-cycle intern in September 2020, has joined the investment team as a research analyst. As with all junior hires, Jinny will at first be a generalist resource for the team developing knowledge across sectors.

- Emma Broderick, also previously an off-cycle intern in 2020, joins the portfolio specialist team focusing on client service, business development and ESG related materials.

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

Over the second quarter of 2021, Sacha Sadan, Director of Stewardship, left LGIM with Michael Marks, Head of ESG Integration and Exco member, stepping in as interim head while LGIM searches for a replacement.

In addition, over the quarter to 30 June 2021, specific to the LGIM Index team, Natalie Wong and Elisa Piscipiello joined as an Investment Analyst and ETF Analyst respectively.

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

4.4 Ruffer

Business

As at 30 June 2021, Ruffer held c. £23.0bn in assets under management, an increase of c. £0.7bn over the quarter.

Personnel

As reported last quarter, Myles Marmion, Ruffer's CFO, retired at the end of April 2021. Myles has been being replaced by Michael Gower, who joins Ruffer from Vanguard where he was CFO for their European and International business. Michael has been appointed as a member of the Management Board and the Executive Committee.

Also, in April 2021, Clemmie Vaughan, Ruffer's CEO, began her maternity leave. Chris Bacon and Miranda Best will run the firm in her absence.

In addition, following quarter end on 6 July 2021, 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.

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

4.5 PIMCO

Business

PIMCO held c. £1.6tn in assets under management as at 30 June 2021, increasing slightly over the quarter. The LCIV Global Bond Fund had assets under management of c. £496m as at 30 June 2021, representing an increase of c. £183m over the quarter as a result of two new London Boroughs investing in the strategy, alongside the impacts of positive market movements over the three-month period.

Personnel

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

At a wider firm level, in May 2021, PIMCO announced the hiring of Brett Condron as managing director in US Global Wealth Management (GWM). In this role, Brett will manage and focus on a broad range of initiatives including working closely with the US GWM team to help further innovate PIMCO's alternative solutions and their adoption by individual investors, family offices, financial intermediaries and defined contribution plans. Brett will work closely with the Head of US GWM, Greg Hall, to continue to advance the firm's strategic push into the rapidly growing alternatives segment of the US market.

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

The Partners Group MAC Fund had a net asset value of c. £65.8m as at 30 June 2021, a decrease of c. £5.4m since the previous quarter end valuation at 31 March 2021 despite strong positive portfolio returns over the quarter, as a result of a combined c. £19.6m 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 distribution over the quarter, as mentioned above, which combined totaled c. £19.6m across all investors. The London Borough of Hammersmith & Fulham Pension Fund received a total of c. £3.8m from these distributions combined.

Following quarter end, on 29 July 2021, Partners Group issued a further distribution of £5m from the MAC Fund, shared between all investors. The London Borough of Hammersmith & Fulham Pension Fund received a total of c. £1.0m from this distribution.

MAC Fund 2014 Extension:

Partners Group had previously highlighted the COVID-19 economic impact has weighed on the private investments in its MAC portfolios. Therefore, Partners Group gave advance notice to investors that the MAC Funds may need to be extended to support the cashflow of the underlying companies invested in, most notably such as its investment in Cote Bistro, to in turn better support the long-term performance of the MAC Funds. This has subsequently led to the formal proposal to extend the Partners MAC 2014 Fund by three years.

In January 2021, Partners Group subsequently proposed to extend the Partners MAC 2014 Fund by two years to summer 2023 to extend the payback periods for a small number (ten) of the investments that have been particularly hit by COVID-19 and need longer recovery periods. Of the initial ten tail investments for which the Fund was proposed to be extended for, three were expected to return in 2021, six in 2022 and the final investment, Cote Bistro, was expected to need until 2023 to deliver the return of capital. No fees would be charged during the extension period.

The Partners MAC 2014 Fund 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.

The Sub-Committee accepted Partners Group's proposal to best safeguard the return of capital to the Fund, which was subsequently formally approved and took effect from May 2021. Since then, recent performance on the tail investments has been strong as anticipated given that these COVID-19/GDP sensitive investments – which were initially most adversely hit by COVID-19 imposed restrictions – have since bounced back and significantly benefitted from the recent reversing and easing of economic restrictions over spring and summer 2021.

Direct Infrastructure

As at 30 June 2021, the Direct Infrastructure Fund had drawn down c. 70% of its total €1,081m commitment value for investment, with c. 100% of the total Direct Infrastructure Fund's portfolio committed to investment opportunities as at 30 June 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 £166m as at 30 June 2021, remaining unchanged over the quarter. The total commitment was fully drawn down on 1 July 2021, following quarter end.

ASI expects a further c. £10.6m in commitments to be added to the MSPC Fund at the next dealing date.

The MSPC Fund has a robust indicative pipeline of private credit assets and has closed on one senior mixed use commercial real estate debt asset and one infrastructure debt technology asset over the second quarter of 2021, with a further senior industrial commercial real estate debt asset closing following quarter end in July 2021 and a senior retail park commercial real estate debt asset in documentation as at 31 July 2021.

Personnel

There were no significant team or personnel changes to the Multi-Sector Private Credit Fund over the second 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 May 2021, an increase of c. $2bn since 1 February 2021.

As at 30 June 2021, the Diversified Credit Strategies Fund's net asset value stood at c. $5.0bn, an increase in value of c. £0.2bn with c. $40m of this increase attributable to net inflows.

Personnel

At managing director level and above, OHA saw one new joiner and no leavers over the second quarter of 2021, with Lisa Paterson Simonetti joining OHA's Real Estate team as a managing director.

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

4.9 Aviva Investors

Business

The Aviva Investors Infrastructure Income Fund had a total subscription value of c. £1,268m as at 30 June 2021, remaining unchanged over the second quarter of 2021 as no new commitments were received. As at 30 June 2021, the undrawn amount for the AIIIF was nil.

Personnel

Over the second quarter of 2021, Isaac Vaz, a Director in the origination team, has left Aviva and is on gardening leave.

There were two new joiners over the quarter: Ian Crawley, previously internal Senior Counsel supporting the infrastructure equity team, joined the origination team as an Associate Director; and Rose Wang joined the origination team as an Associate from Armstrong Capital.

Aviva Investors is also currently undertaking three hiring processes for two Directors and one Associate within the origination team. In addition, the asset management function has now been separated into a dedicated team and has thus far had no turnover.

4.10 Aberdeen Standard Investments – Long Lease Property

Business

As at 30 June 2021, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £3.2bn, increasing by c. £0.1bn since 31 March 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 23 August 2021, the Long Lease Property Fund had collected 98.8% of its Q2 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 June 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 June 2021, the Alpha Real Capital Index Linked Income Fund's net asset value stood at £1,767m. Alpha Real Capital expects to be able to draw down Hammersmith & Fulham's commitment between the fourth quarter of 2021 and the first quarter of 2022.

Personnel

There were no significant personnel changes over the second 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. $3.4bn in assets under management as at 30 June 2021, including commitments and dry powder. The Community Housing Fund's NAV stood at c. £14.9m as at 30 June 2021.

As at 30 June 2021, commitments to the Community Housing Fund totaled £135m. The Fund's total capacity is £400m. Man GPM issued a £3.6m capital call to the London Borough of Hammersmith & Fulham on 18 June 2021, which included an equalisation payment and represents c. 12% of the Fund's total commitment.

Following quarter end, on 30 August 2021, Man GPM issued a further drawdown request for £1.3m. Following payment, the Fund's total commitment is c. 21% drawn for investment.

Personnel

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

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

5 London CIV

5.1 Investment Performance to 30 June 2021

At the end of the second quarter of 2021, the assets under management within the 14 sub-funds of the London CIV was £12,130m with a further combined £1.2m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £1.7bn to c. £26.7bn 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 31 Mar 2021 (£m)	Total AuM as at 30 June 2021 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	3,691	3,521	12	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	-	501	2	13/04/21
LCIV Global Equity	Global Equity	Newton	725	769	3	22/05/17
LCIV Global Equity Focus	Global Equity	Longview Partners	917	930	5	17/07/17
LCIV Global Equity Core Fund	Global Equity	Morgan Stanley Investment Management	512	539	2	21/08/20
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	497	513	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	693	971	6	18/04/18
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	390	449	3	11/03/20
LCIV Global Total Return	Diversified Growth Fund	Pyrford	241	244	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	657	689	7	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,018	1,122	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	124	226	3	16/12/16
LCIV MAC	Fixed Income	CQS	1,137	1,160	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	343	496	5	30/11/18
Total			**11,088**	**12,130**		

Over the quarter, the London CIV launched the LCIV Global Alpha Growth Paris Aligned Sub Fund, managed by Baillie Gifford, with two London Boroughs investing in the new Sub Fund over the quarter and one London Borough disinvesting from the LCIV Global Alpha Sub Fund. The LCIV Equity Income Sub Fund was formally closed over the second quarter of 2021, with the remaining two London Borough investors opting to re-invest the proceeds with a different London CIV sub-fund.

In addition, over the quarter to 30 June 2021, two London Boroughs invested into the LCIV Sustainable Equity Sub Fund and an additional London Borough invested in the LCIV Sustainable Equity Exclusion Sub Fund, taking the total number of investors in the Sustainable Equity strategies to nine. Furthermore, one new London Borough invested in the LCIV Absolute Return Sub Fund, one new London Borough invested in the LCIV Real Return Sub Fund and two new London Boroughs invested in the LCIV Global Bond Sub Fund over the second quarter of 2021.

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 June 2021

	Last Quarter (%)
Net of fees	6.2
Benchmark (MSCI World Net Index)	7.3
Global Franchise Fund (net of fees)	8.2
Net Performance relative to Benchmark	-1.1

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

The LCIV Global Equity Core Fund delivered a positive return of 6.2% on a net of fees basis over the quarter to 30 June 2021, underperforming the MSCI World Net Index by 1.1% over the three-month period.

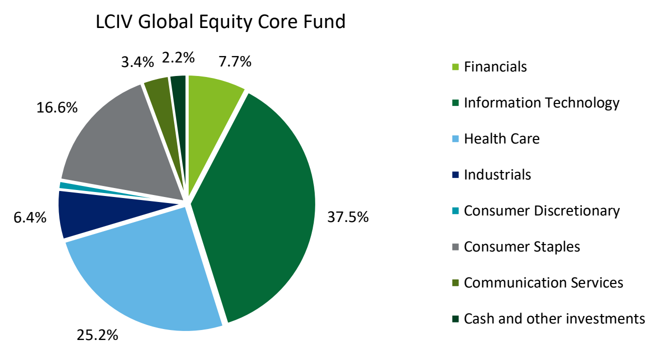
The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows. Morgan Stanley's positive absolute return over the second quarter of 2021 can be attributed to a rebound in value-driven global equities, with a backdrop of the further re-opening of economies across the world amid the accelerating global rollout of COVID-19 vaccinations.

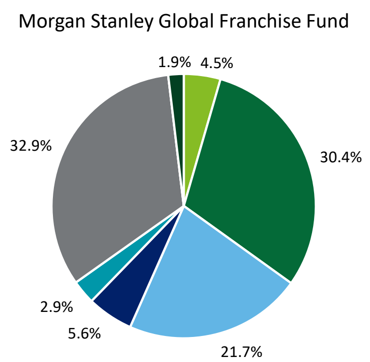
The portfolio is expected to prove beneficial during volatile periods. Having therefore underperformed a cyclical-led recovery in equity markets over recent periods due to its under allocation to cyclical stocks, the rally by quality stocks over the second quarter of 2021 should have proved supportive, however the manager's stock selection in such quality non-cyclical sectors such as healthcare and consumer staples sectors was the primary driver of underperformance. In particular, the strategy's holding in Henkel, a German consumer goods and chemical manufacturer, provided a notable detraction to performance as a result of pricing issues impacting its future earnings forecasts.

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. The LCIV Global Equity Core Fund underperformed the Global Franchise Fund over the three month period to 30 June 2021, 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 June 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 June 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 June 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 June 2021, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	36	30
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. 47.9% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	7.7
Reckitt Benckiser	5.6
Visa	5.5
SAP	5.2
Accenture	4.3
Henkel Vorzug	4.3
Baxter International	3.9
Becton Dickinson	3.9
Danaher	3.7
Abbott Laboratories	3.7
Total	**47.9***

Global Franchise Fund Holding	% of NAV
Microsoft	9.6
Philip Morris	8.7
Reckitt Benckiser	7.2
Visa	5.4
SAP	4.6
Danaher	4.4
Accenture	4.4
Procter & Gamble	4.3
Abbott Laboratories	4.2
Thermo Fisher	4.1
Total	**56.9***

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

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

7 Legal and General – World Low Carbon Equity

Legal and General Investment Management ("LGIM") was appointed on 18 December 2018 to manage a low carbon portfolio with the aim of replicating the performance of the MSCI World Low Carbon Target Index. The manager has an annual management fee, in addition to On Fund Costs.

7.1 World Low Carbon Equity – Investment Performance to 30 June 2021

	Last Quarter (%)	One Year (%)
Net of fees	7.7	24.9
Benchmark (MSCI World Low Carbon Target)	7.8	25.1
MSCI World Equity Index	7.6	24.4
Net Performance relative to Benchmark	-0.1	-0.2

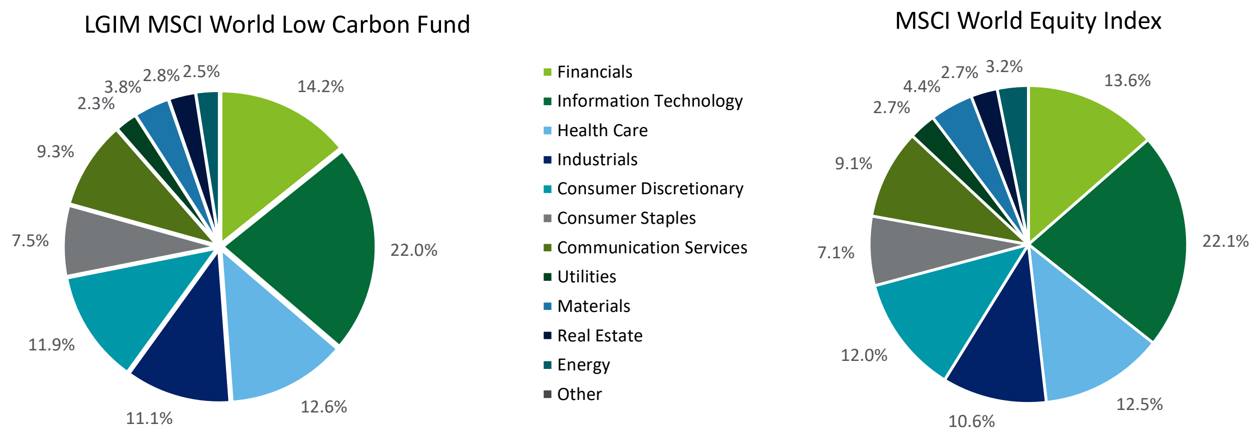
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

The LGIM MSCI World Low Carbon Index Fund delivered a positive absolute return of 7.7% on a net of fees basis over the quarter to 30 June 2021, slightly underperforming its benchmark by 0.1%, but outperforming the MSCI World Equity Index benchmark by 0.1% over the quarter.

Over the one-year period to 30 June 2021, the LGIM MSCI World Low Carbon Index Fund delivered a strong positive absolute return of 24.9% on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.2%, but outperforming the broader MSCI World Equity Index by 0.5%. 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 June 2021.

7.2 Portfolio Sector Breakdown at 30 June 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 June 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.

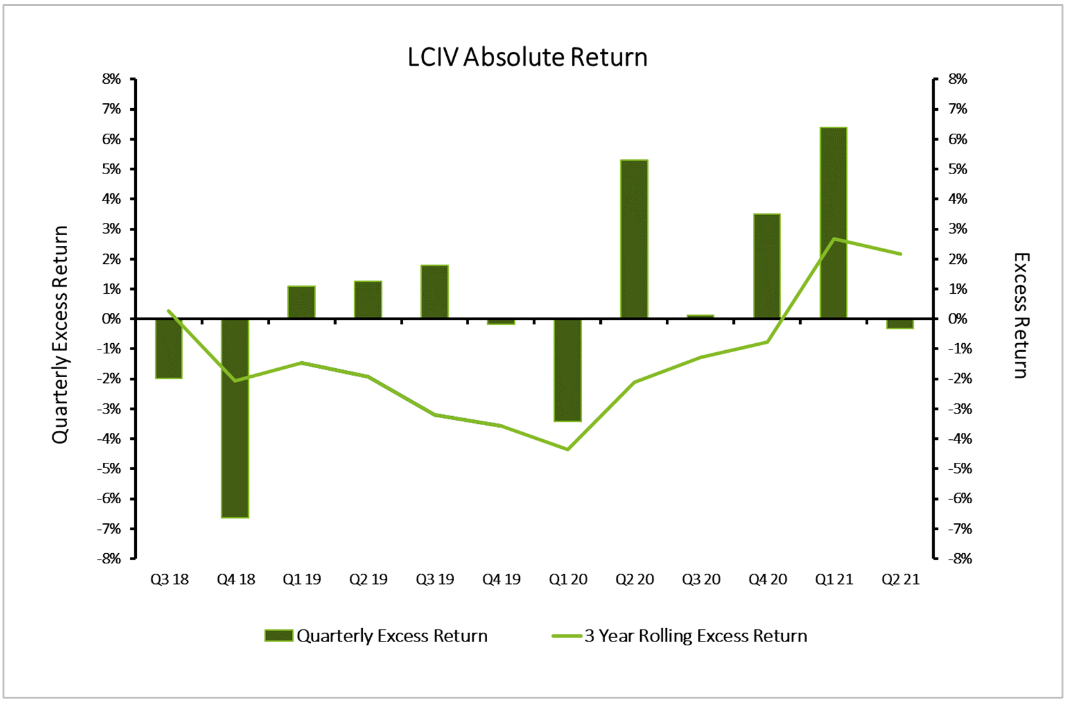
8 LCIV – Absolute Return

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 June 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.7	14.3	6.7	6.0
Target	1.0	4.1	4.5	4.5
Net performance relative to Target	-0.3	10.2	2.2	1.5

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



Over the quarter to 30 June 2021, the Absolute Return Fund returned 0.7% on a net of fees basis, underperforming its LIBOR+4% target by 0.3%. The strategy has delivered a strong absolute return of 14.3% on a net of fees basis over the year to 30 June 2021, outperforming its target by 10.2%. Over the longer three and five year periods to 30 June 2021, the strategy has delivered positive returns of 6.7% p.a. and 6.0% p.a. respectively on a net of fees basis, outperforming the LIBOR-based target by 2.2% p.a. and 1.5% p.a. respectively.

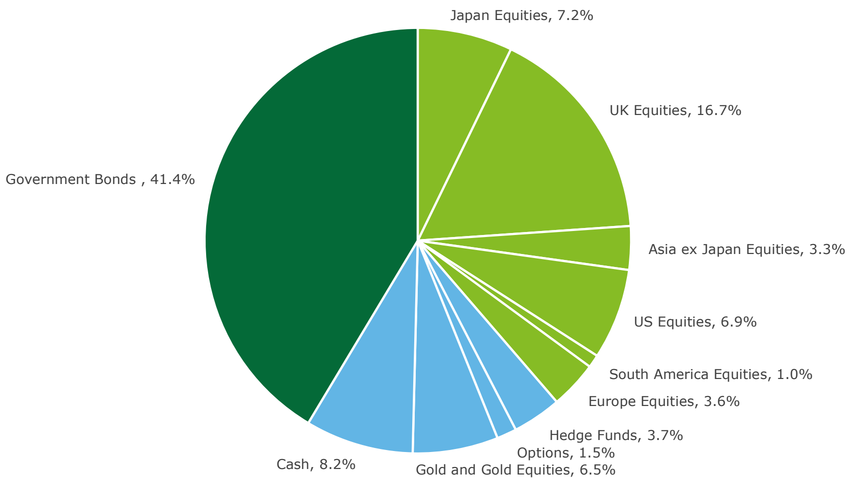
The strategy's equities exposure, both value and cyclical orientated, particularly in the UK, helped to drive positive absolute returns over the quarter. With Ruffer anticipating that rising bond yields may hamper the continued progress of growth equities, the manager gradually began to transition away from cyclical stocks and into lower beta stocks as the quarter progressed.

With bond yields falling and inflation expectations being tempered by central banks over the quarter, the strategy's inflation-linked bonds allocation added to performance over the three-month period. However as a result, having shielded the portfolio from the impacts of rising bond yields over the first quarter of 2021, the strategy's inflation protection positioning displayed the largest detraction to performance over the quarter to 30 June 2021 with the strategy's swaption positions also detracting from performance.

Having previously made a small allocation to bitcoin in Q4 2020 via the Ruffer Illiquid Multi Strategies Fund – for the purpose of providing an additional hedge against inflation and general monetary instability, sitting alongside the portfolio's inflation-linked bonds and gold allocations – Ruffer sold out of bitcoin entirely over the second quarter of 2021. Since investing in bitcoin, the allocation has provided a positive return to the portfolio and a sufficient level of protection. However, despite remaining interested in digital currencies over the longer term, Ruffer observes bitcoin as a high-risk asset in the more immediate term.

8.2 Asset Allocation

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

	Last Quarter (%)	One Year (%)
Net of fees	2.8	4.7
Benchmark	2.1	2.7
Net Performance relative to Benchmark	0.7	2.0

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

Over the quarter to 30 June 2021 the LCIV Global Bond Fund delivered a positive return of 2.8% on a net of fees basis, outperforming the Barclays Aggregate – Credit Index Hedged (GBP) Index by 0.7%. The strategy delivered a positive return of 4.7% over the year to 30 June 2021, outperforming the benchmark by 2.0%.

After widening over the first quarter of 2021, credit yields narrowed over the second quarter to 30 June 2021 with the improving economic outlook benefiting corporate earnings, and easing inflation concerns benefitting bondholders. Central bank reassurances regarding future monetary policy, particularly from the Fed, further helped to keep credit spreads low. As such, the wider credit market delivered a positive return over the second quarter of 2021, with the LCIV Global Bond Fund outperforming its comparators over the period owing partially to the portfolio's overweight financials positioning, most notably, the strategy's overweight subordinated bank debt exposure, which contributed positively to outperformance as a result of constructive risk sentiment and following the rebound in economic activity. Conversely, the manager's underweight positions to retail and healthcare detracted from this relative outperformance to some extent.

With the US yield curve flattening somewhat over the second quarter of 2021, the Global Bond Fund benefitted from a higher US duration relative to its comparators, despite reducing the strategy's overall duration position over the first quarter of 2021.

The strategy's security selection also added value relative to the strategy over the quarter, particularly within the transportation sector.

The strategy experienced no defaults over the quarter, although 25 issues, representing c. 3.3% of the portfolio, were downgraded over the period with two of these issues (representing c. 0.3% of the portfolio) downgraded to sub-investment grade. PIMCO still holds longer-term conviction in these issues and has therefore continued to hold the positions.

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

9.2 Performance Analysis

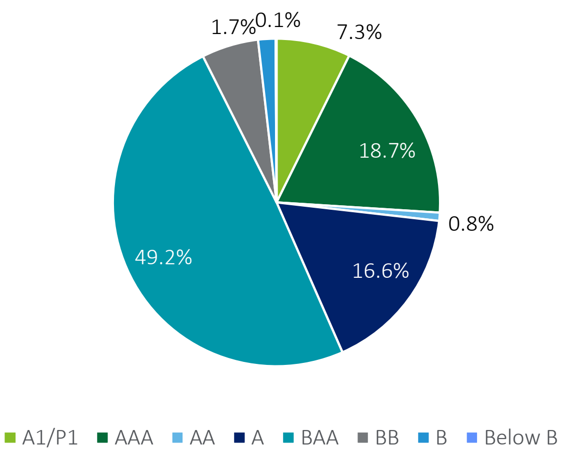
The table below summarises the Global Bond portfolio's key characteristics as at 30 June 2021.

	31 March 2021	30 June 2021
No. of Holdings	979	1,047
No. of Countries	45	45
Coupon	3.05	2.60
Effective Duration	6.71	7.22
Rating	A-	A-
Yield to Maturity (%)	2.67	2.39

Source: London CIV

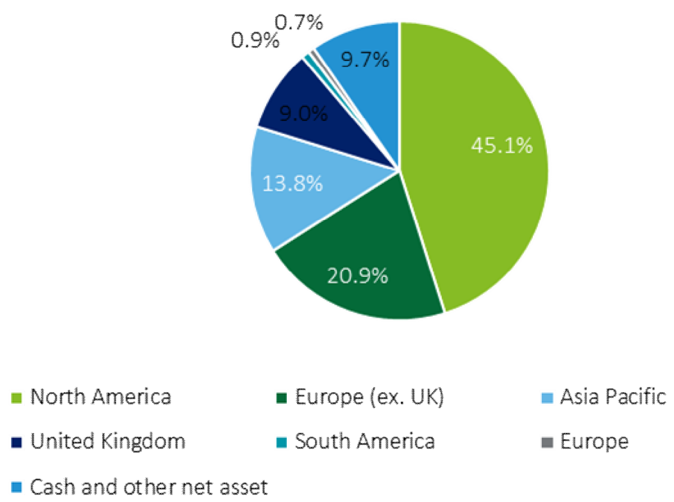
The number of holdings in the portfolio increased by 68 over the quarter, with the Global Bond Fund continuing to participate in an increased level of corporate debt issuance. After opting to reduce the strategy's overall duration positions to a more neutral level over the first quarter of 2021, PIMCO broadly increased the portfolio's duration position over the quarter which represented a modest overweight versus the benchmark as at 30 June 2021.

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund's investment grade holdings made up c. 92.6% of the portfolio as at 30 June 2021, an increase of 1.4% over the quarter, with the Fund predominately invested in BAA and AAA 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.

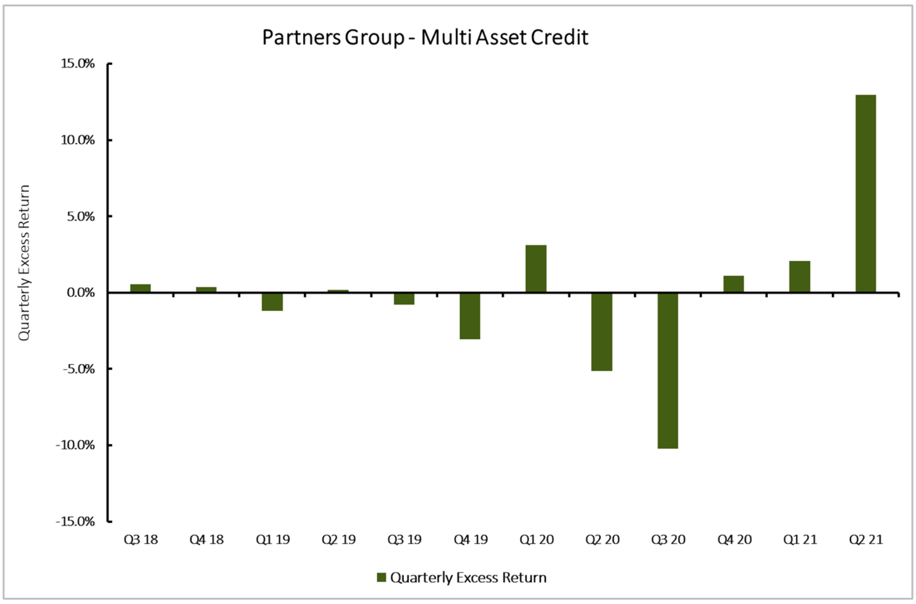
10 Partners Group – Multi Asset Credit

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 May 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	14.0	8.9	4.0	4.9
Benchmark / Target	1.0	4.1	4.5	4.5
Net performance relative to Benchmark	13.0	4.9	-0.5	0.4

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



Please note, performance shown is to 31 May 2021.

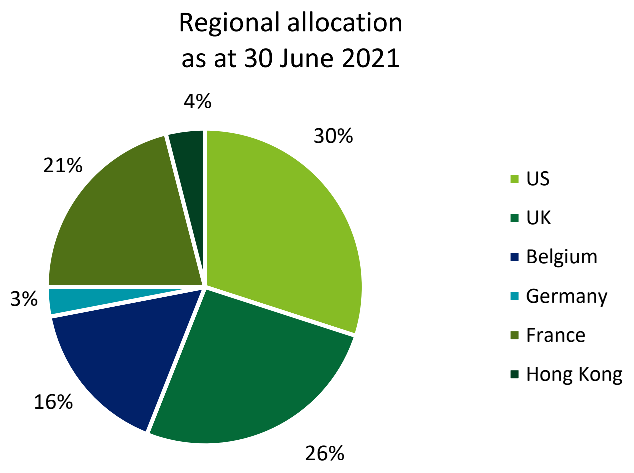
The Multi Asset Credit strategy delivered a positive return of 14.0% on a net of fees basis over the quarter to 31 May 2021, outperforming its 3 Month LIBOR +4% benchmark by 13.0%.

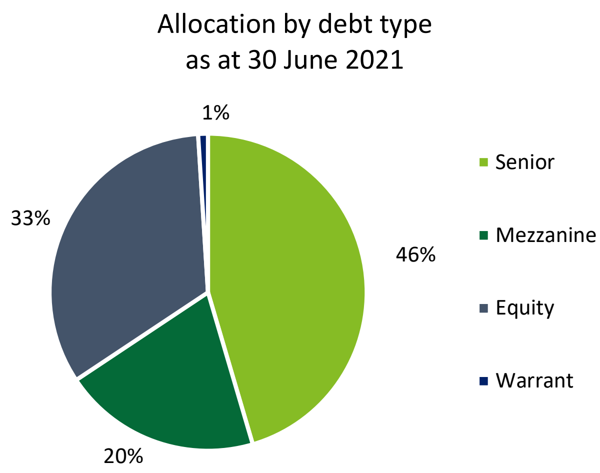
Over the quarter to 30 June 2021, we expect the MAC Fund to have delivered a return of 17.8% on a net of fees basis, based on an estimation of the strategy's time-weighted rate of return using cashflow information – with the primary difference in return due to the month of March 2021 dropping out of the calculation period, with the strategy delivering a strong return of 4.7% over June 2021.

Over the year to 31 May 2021, the strategy has delivered a return of 8.9% on a net of fees basis, outperforming its benchmark by 4.9%. 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 busines, 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.

10.2 Asset Allocation

The charts below show the regional split of the Fund as at 30 June 2021.





Note: Based on information provided by Partners Group.

10.3 Fund Activity

As at 30 June 2021 the Partners Group Multi Asset Credit Fund had made 54 investments of which 46 have been fully realised following two further realisations made in the second 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 - please see the Manager Update section of this report for further details.

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.

Partners Group issued three further distributions over the second quarter, with c. £2.5m, c. £1.4m and c. £20k distributed to the London Borough of Hammersmith & Fulham Pension Fund on 29 April 2021, 15 June 2021 and 29 June 2021 respectively.

Following quarter end, on 29 July 2021, Partners Group issued a further distribution, with c. £1.0m distributed to the London Borough of Hammersmith & Fulham Pension Fund.

11 Aberdeen Standard Investments – Multi-Sector Private Credit Fund

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

11.1 Multi-Sector Private Credit - Investment Performance to 30 June 2021

	Last Quarter (%)	One Year (%)
Net of fees	0.9	2.8
Benchmark / Target	1.0	1.6
Net performance relative to Benchmark	-0.1	1.2

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

The ASI Multi Sector Private Credit Fund delivered a positive absolute return of 0.9% on a net of fees basis over the quarter to 30 June 2021, marginally underperforming the blended benchmark. Over the year to 30 June 2021, ASI outperformed the blended benchmark by 1.2%, returning 2.8% on a net of fees basis. 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.

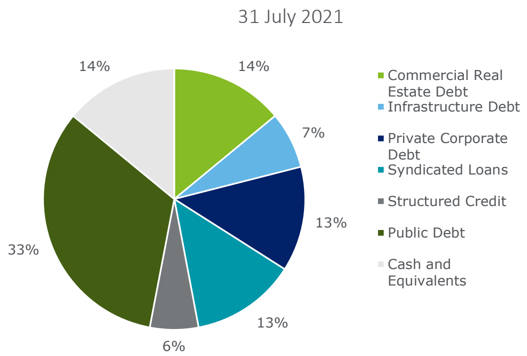
Once fully committed, the strategy will be measured against the ICE ML Sterling BBB Corporate Bond Index. While the strategy is in the process of deploying invested capital, the strategy is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index, 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 June 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.

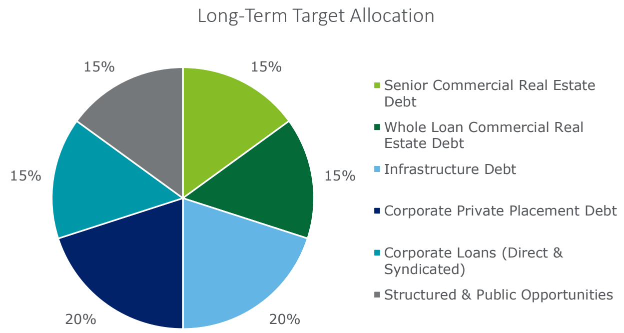
11.2 Portfolio Composition

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.

Asset Allocation

As at 31 July 2021, 57% of the MSPC Fund portfolio has been invested in illiquid assets that make up the long term portfolio, while the remaining 43% 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 31 July 2021 with that of the long-term target allocation.





Source: Aberdeen Standard Investments

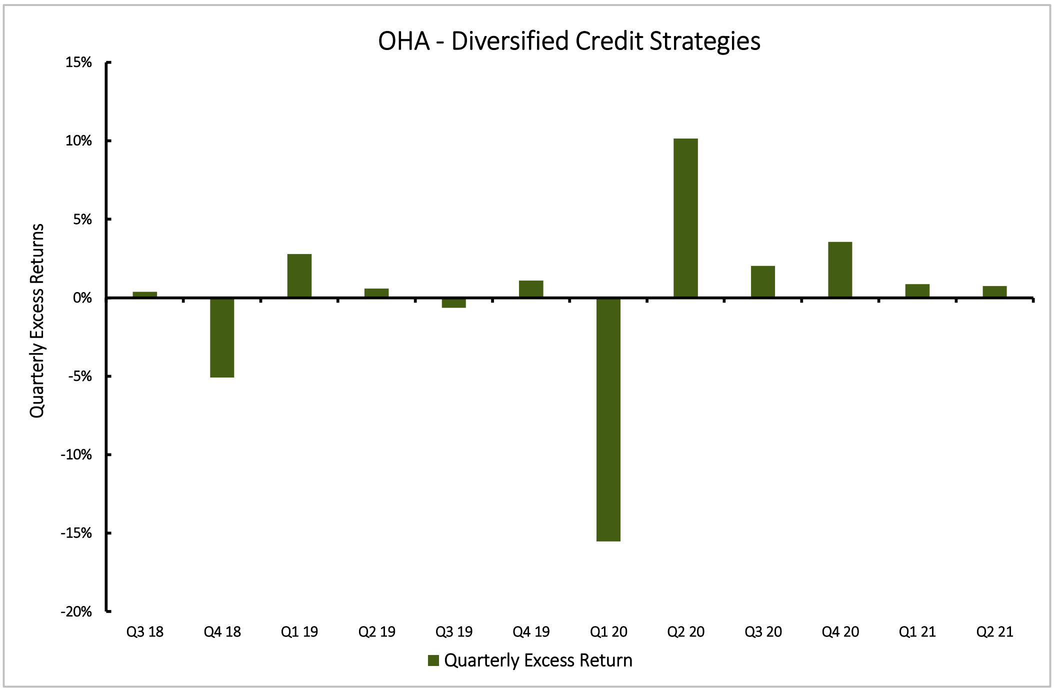
12 Oak Hill Advisors – Diversified Credit Strategies Fund

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 June 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.8	11.7	4.1	4.6
Benchmark / Target	1.0	4.1	4.5	4.5
Net Performance relative to Benchmark	0.7	7.6	-0.4	0.1

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



The Oak Hill Advisors Diversified Credit Strategies Fund delivered a positive absolute return of 1.8% on a net of fees basis over the second quarter of 2021, outperforming its 3 Month Sterling LIBOR +4% p.a. benchmark by 0.7%. Over the year to 30 June 2021, the strategy delivered a positive absolute return of 11.7% on a net of fees basis, outperforming the benchmark by 7.6% over the period. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

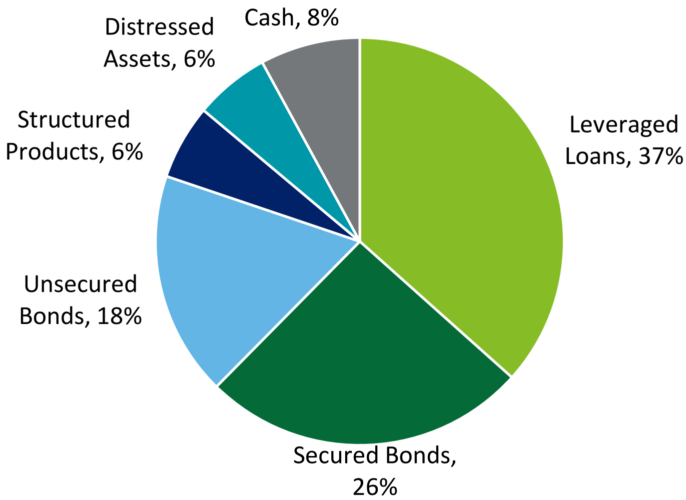
The strategy's high yield bonds and leveraged loans exposures continued to deliver positive returns over the second quarter of 2021, with US and European credit spreads continuing to narrow.

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 over the quarter to 30 June 2021 and since the beginning of the calendar year as a result of the initial anticipation of and subsequent realisation of the relaxation in lockdown restrictions in 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 June 2021.



Source: Oak Hill Advisors

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

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 June 2021

Activity

As at 30 June 2021, the total capacity of the Partners Group Direct Infrastructure Fund was €1.08 billion. Of this, c. 100% has been committed to investments as at 30 June 2021, with 70% (c. €0.7bn) of the total capacity drawn down from investors as at 30 June 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 June 2021, and a further capital call following quarter end:

- On 3 May 2021, the Fund issued a capital call for €48.6m, of which the London Borough of Hammersmith & Fulham was entitled to pay €2.5m; and
- Following quarter end, on 23 July 2021, the Fund issued a capital call for €21.6m, of which the London Borough of Hammersmith & Fulham was entitled to pay €1.1m. Following this capital call, the Direct Infrastructure Fund was c. 70% drawn for investment.

The Fund issued no further distributions of capital over the second quarter of 2021.

Pipeline

The Direct Infrastructure Fund is now 100% committed to investments, as such it is unlikely that any further investments will be added to the portfolio. However, Partners Group acknowledges that the investment period extends to the end of Q3 2021 and will provide confirmation if any further investments are added.

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.

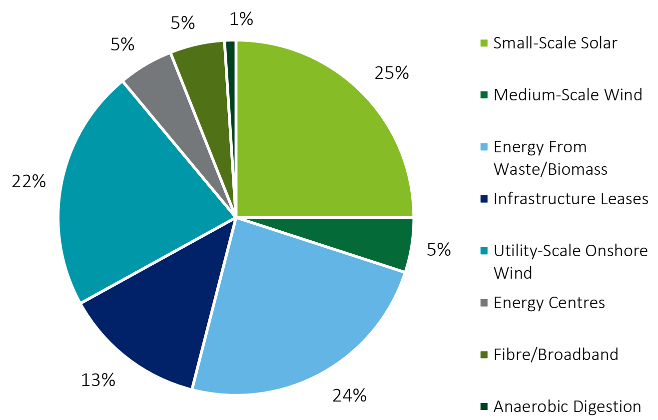
14.1 Infrastructure Income - Investment Performance to 31 March 2021

The negative return over the quarter was attributable to a number of factors. An increase in corporation tax rates was announced over the first quarter of 2021, which has negatively impacted the value of future cashflows. While it was also announced that the Fund's biomass investments are not currently operating at full capacity due to identified commissioning defects, leading to a revision of Aviva's construction timeline, and thus negatively impacting the strategy's business plan forecast assumptions. Management of the ongoing legal dispute with the Fund's former contractor on the biomass assets also 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 6.9% over the year to 31 March 2021, which sits just below the 7-8% p.a. range targeted by Aviva, with the decrease in yield attributed to the aforementioned issue with the Fund's biomass assets, with distributions underpinned by operational revenue generated from the Fund's assets. Aviva has confirmed that a rectification programme is in place and it is expected that the plants will be operating at full capacity by Q4 2021. 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 queue is now fully drawn with a further subscription of £25m from an existing investor received following quarter end in August 2021.

Aviva did not complete any transactions over the second 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 an 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 June 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	2.4	6.0	5.7	7.0
Benchmark / Target	2.4	-4.2	5.1	4.0
Net Performance relative to Benchmark	0.0	10.2	0.6	3.0

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

Over the quarter to 30 June 2021, the ASI Long Lease Property Fund delivered an absolute return of 2.4% on a net of fees basis, performing broadly in line with its FT British Government All Stocks Index Benchmark.

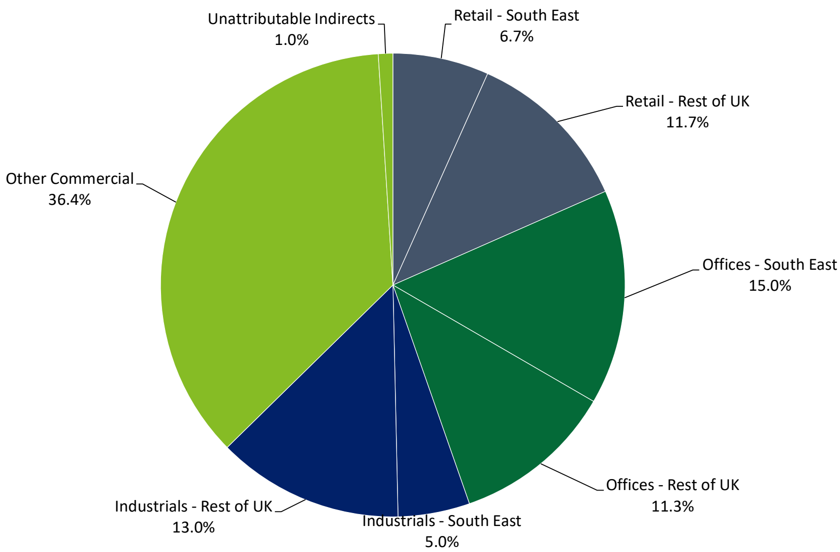
The Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 1.4% over the second quarter of 2021, largely as a result of the strategy's underweight position to the industrial and retail warehousing sectors, relative to the wider property market, with yield compression recognised across both of these sectors.

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 second quarter of 2021 as ASI realised Q2 collection rates of 98.8% (as at 23 August 2021). Over the second quarter of 2021, none of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 1.2% unpaid or subject to ongoing discussions with tenants. As at 23 August 2021, ASI had collected 95.7% of its Q3 2021 rent, with 1.0% subject to deferment arrangements and 3.3% 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 June 2021 is shown in the graph below.



Over the quarter to 30 June 2021, the ASI Long Lease Property Fund's allocation to the office sector decreased by 3.1% to 26.3%, owing to the Fund's disposals over the quarter, as discussed below. The allocation to the retail sector decreased by 1.9% to 18.3% over the quarter while the industrials sector allocation increased by 4.9% to 18.1% as a result of the below-mentioned acquisitions. The allocation to other commercial properties increased by 0.3% to 36.4% over the quarter.

The ASI Long Lease Property Fund completed four acquisitions over the second quarter of 2021, totaling c. £280m: a newly constructed distribution unit let to Amazon for 20 years in Hinckley, an off-market opportunity for c. £100m reflecting a net initial yield of 3.1%; a smaller distribution unit let to Weston Homes in Braintree, an off-market forward funding acquisition subject to a new 25-year lease upon completion of the unit; a distribution unit let to Next for c. £105m reflecting a net initial yield of 3.5%, structured as a forward-funding agreement and subject to a new 23-year lease upon completion; and a last mile distribution unit in London let to Amazon for 15 years, for £46m reflecting a net initial yield of 3.3%.

ASI completed two disposals over the quarter: an office asset in London, following the impacts of the COVID-19 pandemic on the tenant, Save the Children, for c. £115m (over 20% above the current valuation of the asset) and reflecting a net initial yield of c. 3.4%; and a supermarket in Colchester let to Tesco which had a buyback provision contained within the lease which would have allowed Tesco to buy the property back in 10 years' time at an open market valuation. The supermarket asset was sold for c. 5% ahead of the current valuation.

As previously reported, two pre-let funding hotel projects which have had construction suspended in line with government advice, equating to 2.2% of total Fund value, remain in the construction phase. The Dalata hotel in Glasgow is due to complete early in the third quarter of 2021 and the Dalata hotel in Bristol is expected to complete in early 2022.

Q2 and Q3 2021 rent collection, split by sector, as at 23 August 2021 is reflected in the table below:

Sector	Proportion of Fund as at 30 June 2021 (%)	Q2 2021 collection rate (%)	Q3 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	91.8
Industrial	14.7	97.0	100.0
Leisure	3.3	100.0	88.0
Public Houses	5.5	100.0	82.0
Offices	29.6	100.0	92.3
Student Accommodation	8.1	100.0	100.0
Supermarkets	18.2	100.0	100.0
Total	100.0	98.8	95.7

As at 30 June 2021, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the ASI Ground Rent Fund, with 15.9% of the Fund invested in income strip assets.

The hotels sector has expressed the poorest rental collection statistics over the second quarter of 2021 as at 23 August 2021, with the public houses and leisure sectors expressing the poorest rental collection statistics over Q3 2021 as at 23 August 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 Q2 2021 rental income subject to deferment arrangements as at 23 August 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 June 2021:

Tenant	% Net Income	Credit Rating
Whitbread	5.5	BBB
Viapath	4.9	AA
Tesco	4.9	BBB
Sainsbury's	4.5	BB
Marston's	4.3	BB
Asda	3.7	BBB
Salford University	3.5	A
Secretary of State for Communities	3.4	AA
QVC	3.3	BB
Lloyds Bank	3.2	AA
Total	41.2*	

*Total may not equal sum of values due to rounding

As at 30 June 2021, the top 10 tenants contributed 41.2% of the total net income of the Fund. Of which 13.1% of the net income came from the supermarket sector, with Tesco, Sainsbury's and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term decreased from 25.7 years as at 31 March 2021 to 25.2 years as at 30 June 2021 as a result of the new acquisitions. The proportion of income with fixed, CPI or RPI rental increases fell by 0.2% over the quarter to 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 June 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	1.3	4.1	4.7
Benchmark / Target	4.4	-2.4	8.7
Net Performance relative to Benchmark	-3.1	6.5	-4.0

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

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

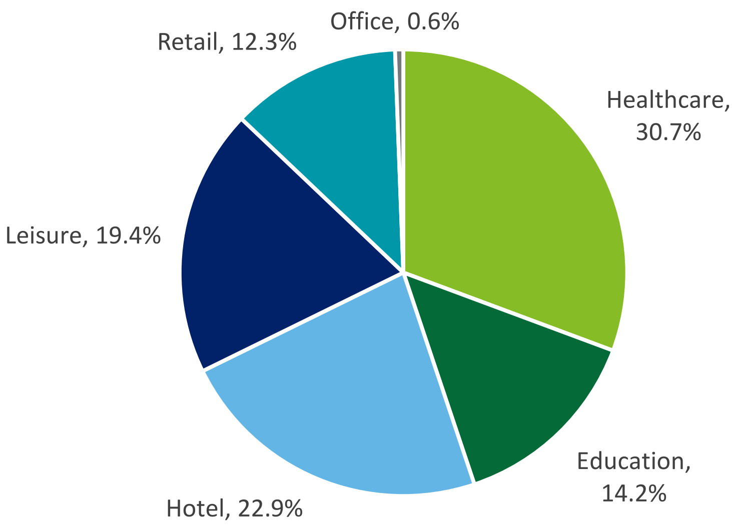
The London Borough of Hammersmith & Fulham's commitment has not yet been drawn for investment by Alpha Real Capital. The Fund's full £60m commitment is expected to be drawn and deployed by Q4 2021 to Q1 2022. As such, please note that the performance of the Alpha Real Capital Index Linked Income Fund displayed in the table above is for illustration purposes only.

The Index Linked Income Fund has delivered a positive return of 1.3% on a net of fees basis over the quarter to 30 June 2021, but has underperformed its BoAML Long-Dated UK Inflation-Linked Gilts Index +2% by 3.1% with real yields falling over the second quarter of 2021. Positive absolute returns were primarily driven by rental uplift across the portfolio, alongside recognised yield compression on the Fund's holiday park assets.

Alpha Real Capital has collected c. 88% of the Fund's Q2 2021 rental income, having agreed deferrals or holding active discussions with tenants concerning overdue rent. Where deferrals are agreed, extended credit charges ae 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 June 2021 is shown in the graph below.



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

Alpha Real Capital completed one ground rent acquisition over the second quarter of 2021 – a portfolio of 12 care homes in North East Midlands, operated by Home From Home Care, for a net purchase price of £21.6m.

The table below shows details of the top ten holdings in the Fund measured by value as at 30 June 2021:

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 account for c. 79.0% of the Fund.

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 June 2021

Capital Calls and Distributions

The Fund issued one capital call over the quarter to 30 June 2021, and a further capital call following quarter end:

- On 18 June 2021, the Fund issued a capital call for £3.6m to be paid by the London Borough of Hammersmith & Fulham Pension Fund. The request consisted of £3.0m for investments, £0.6m for expenses and £25k in respect of an equalisation payment; and

- Following quarter end, on 30 August 2021, the Fund issued a capital call for £1.3m to be paid by the London Borough of Hammersmith & Fulham Pension Fund, consisting entirely of capital drawn for investments into the portfolio. Following this capital call, the London Borough of Hammersmith & Fulham Pension Fund's commitment was c. 21% 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 the following projects over the first and second quarters of 2021:

- Alconbury Weald, Cambridgeshire – a forward fund of 95 homes from a Plc housebuilder with 69% discounted rent and 31% shared ownership. The investment has been completed and Man GPM is holding discussions with the housing association to finalise lease terms. Gross project cost of £22m;

- Grantham, Lincolnshire – a development of 227 houses delivering affordable rent for key workers and shared ownership. The investment has been completed and Man GPM is holding discussions with the housing association to finalise lease terms. Gross project cost of £36m; and

- Atelier, Lewes – a forward purchase of 41 homes with 95% for shared ownership. The investment has exchanged, with completion expected at property handover in September 2021. Shared ownership rents will be indexed at RPI +0.5%. Gross project cost of £13m

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

Pipeline

Man GPM's pipeline investment opportunities include a list of seven developments 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

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.

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

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

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Deloitte.

Committee Report
Reporting Period: Q2 21/22
Pension Fund Current Account Cashflow Actuals and Forecast for period Apr 2021 - Jun 2021

Pension Fund Current Account Cashflow Actuals and Forecast for period Apr 2021 - Jun 2021

	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	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	**1,653**	**2,961**	**2,300**	**2,963**	**1,630**	**1,497**	**664**	**1,331**	**798**	**1,965**	**2,632**	**2,099**	**£000s**	**£000s**
Contributions	2,522	2,511	5,694	2,600	2,600	**2,600**	2,600	2,600	2,600	2,600	2,600	2,600	**34,126**	**2,844**
Pensions	(2,817)	(2,854)	(2,828)	(2,833)	(2,833)	(2,833)	(2,833)	(2,833)	(2,833)	(2,833)	(2,833)	(2,833)	**(33,996)**	**(2,833)**
Lump Sums	(1,454)	(891)	(861)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	**(8,606)**	**(717)**
Net TVs in/(out)	(109)	42	345	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	**(2,422)**	**(202)**
Net Expenses/other transactions	(834)	(315)	48	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	**(2,901)**	**(242)**
Net Cash Surplus/(Deficit)	**(2,692)**	**(1,507)**	**2,398**	**(1,333)**	**(1,333)**	**(1,333)**	**(1,333)**	**(1,333)**	**(1,333)**	**(1,333)**	**(1,333)**	**(1,333)**	**(13,798)**	**(1,150)**
Distributions	0	846	265	-	800	500	-	800	500	-	800	500	**5,012**	**418**
Net Cash Surplus/(Deficit) including investment income	**(2,692)**	**(661)**	**2,663**	**(1,333)**	**(533)**	**(833)**	**(1,333)**	**(533)**	**(833)**	**(1,333)**	**(533)**	**(833)**	**(8,787)**	**(732)**
Withdrawals from/Deposits to Custody Cash	4,000	0	(2,000)		400	-	2,000		2,000	2,000	-	2,000	**10,400**	**1,040**
Balance c/f	**2,961**	**2,300**	**2,963**	**1,630**	**1,497**	**664**	**1,331**	**798**	**1,965**	**2,632**	**2,099**	**3,266**	**1,613**	**308**

Current account cashflow actuals compared to forecast in Apr 2021 - Jun 2021

	Apr-21		May-21		Jun-21		Apr - Jun 21
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	2,522	2,600	2,511	2,600	5,694	2,926
Pensions	(3,300)	(2,817)	(3,300)	(2,854)	(3,300)	(2,828)	1,401
Lump Sums	(600)	(1,454)	(600)	(891)	(600)	(861)	(1,406)
Net TVs in/(out)	200	(109)	200	42	300	345	(422)
Expenses	(200)	(834)	(200)	(315)	(200)	48	(501)
Distributions	-	-	2,000	846	500	265	(1,388)
Withdrawals from Custody Cash	2,000	4,000	-	-	-	- 2,000	0
Total	**700**	**1,308**	**700**	**(661)**	**(700)**	**663**	**610**

Notes on Variances:

- there were greater than expected lump sums out due to retirments in April

- Distributions fell short mostly due to a misjudgement on timing

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Apr 2021 - Jun 2021

	Apr-21 £000s Actual	May-21 £000s Actual	Jun-21 £000s Actual	Jul-21 £000s F'cast	Aug-21 £000s F'cast	Sep-21 £000s F'cast	Oct-21 £000s F'cast	Nov-21 £000s F'cast	Dec-21 £000s F'cast	Jan-22 £000s F'cast	Feb-22 £000s F'cast	Mar-22 £000s F'cast	F'cast Annual Total	F'cast Monthly Total
Balance b/f	**9**	**2,459**	**405**	**481**	**2,981**	**1,081**	**881**	**881**	**2,881**	**3,681**	**1,681**	**3,681**	**£000s**	**£000s**
Sale of Assets	4,000	-	-			1,000		2,000	2,000		2,000	2,000	**13,000**	**1,625**
Purchase of Assets	-	- 2,156	- 3,558		(1,500)	(1,200)			(1,200)				**(9,614)**	**(1,602)**
Net Capital Cashflows	**4,000**	**(2,156)**	**(3,558)**	**0**	**(1,500)**	**(200)**	**0**	**2,000**	**800**	**0**	**2,000**	**2,000**	**3,386**	**282**
Distributions	2,453	89	1,630	2,500	-	-	2,000	-	2,000	-	-	1,000	**11,673**	**973**
Interest	-	- 0	- 0										**(0)**	**(0)**
Management Expenses	-	-	-										**0**	**0**
Foreign Exchange Gains/Losses	-	-	-										**0**	**0**
Class Actions	-	-	-										**0**	**0**
Other Expenses	- 3	12	4											
Net Revenue Cashflows	**2,450**	**101**	**1,634**	**2,500**	**0**	**0**	**2,000**	**0**	**2,000**	**0**	**0**	**1,000**	**11,686**	**974**
Net Cash Surplus/(Deficit) excluding withdrawals	**6,450**	**(2,054)**	**(1,924)**	**2,500**	**(1,500)**	**(200)**	**2,000**	**2,000**	**2,800**	**0**	**2,000**	**3,000**	**15,072**	**1,256**
Contributions to Custody Cash	-	-	2,000										**2,000**	**667**
Withdrawals from Custody Cash	(4,000)	0		0	(400)	0	(2,000)	0	(2,000)	(2,000)	0	(2,000)	**(12,400)**	**(1,127)**
Balance c/f	**2,459**	**405**	**481**	**2,981**	**1,081**	**881**	**881**	**2,881**	**3,681**	**1,681**	**3,681**	**4,681**	**4,672**	**795**

London Borough of Hammersmith and Fulham Pension Fund Risk Register															
Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Previous risk score	Current risk score	Movement	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**	↓	TREAT 1) Officers will continue to monitor the impact covid-19 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. 4) Estimation uncertainty remove from valuers reports	2	**20**	09/09/2021
Asset and Investment Risk	2	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty.	5	4	1	10	4	**40**	**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**	09/09/2021
Asset and Investment Risk	3	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.	4	3	1	8	4	**24**	**32**	↑	**TREAT** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. 3) The UK has exited the EU and the transition period has come to an end. There is still the potential for volatility implementing some of the post-Brexit agreements once Covid becomes less of an issue.	2	**16**	09/09/2021
Asset and Investment 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**	↔	**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**	09/09/2021
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**	↔	**TORELATE** 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups.	2	**24**	09/09/2021
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	3	11	3	**33**	**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**	09/09/2021

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**	↔	**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**	09/09/2021
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**	↔	**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**	09/09/2021
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**	↔	**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**	09/09/2021
Asset and Investment Risk	10	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	**16**	**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**	09/09/2021
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**	↔	**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**	09/09/2021
Asset and Investment Risk	12	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.	3	2	1	6	3	**18**	**18**	↔	**TREAT** 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors.	2	**12**	09/09/2021
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**	↔	**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**	09/09/2021

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**	09/09/2021
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**	09/09/2021
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**	09/09/2021
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**	09/09/2021
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**	09/09/2021
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**	09/09/2021
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**	09/09/2021
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	**40**	**50**		**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) Short term inflation is expected due ot a number of reasons on current course	3	**30**	09/09/2021
Liability Risk	22	Scheme members live longer than expected leading to higher than expected liabilities.	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**	09/09/2021
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).	2	**20**	09/09/2021

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	09/09/2021
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	09/09/2021
Liability 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 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	09/09/2021
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	09/09/2021
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	09/09/2021
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	09/09/2021
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	09/09/2021
Liability 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	09/09/2021
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	09/09/2021
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	09/09/2021

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.	1	3	3	7	4	28	28	↔	**TOLERATE** 1) Officers to continue monitor the ongoing staffing changes at Surrey CC. 2) Ongoing monitoring of contract and KPIs	3	21	09/09/2021
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	09/09/2021
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	09/09/2021
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	09/09/2021
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	09/09/2021
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	09/09/2021
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	09/09/2021
Resource and Skill Risk	41	Failure to take difficult decisions inhibits effective Fund management	5	3	4	12	2	24	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	09/09/2021
Resource and Skill Risk	42	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	09/09/2021
Resource and Skill Risk	43	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	09/09/2021
Resource and Skill Risk	44	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	09/09/2021

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Resource and Skill Risk	45	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**	09/09/2021
Resource and Skill Risk	46	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**	09/09/2021
Administrative and Communicative Risk	47	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all postiions likely to be a challenge. At the Same time the Pension Fund is transferring its Pension Fund Administration service from Surrey County Council, to the Local Pensions Parternship.	4	3	3	10	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 isalmost 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**	09/09/2021
Administrative and Communicative Risk	48	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	**18**	**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**	09/09/2021
Administrative and Communicative Risk	49	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**	09/09/2021
Administrative and Communicative Risk	50	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**	09/09/2021
Administrative and Communicative Risk	51	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**	09/09/2021
Administrative and Communicative Risk	52	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**	09/09/2021

Administrative and Communicative Risk	53	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**	09/09/2021
Administrative and Communicative Risk	54	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**	09/09/2021
Administrative and Communicative Risk	55	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**	09/09/2021
Administrative and Communicative Risk	56	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	**22**	**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**	09/09/2021
Administrative and Communicative Risk	57	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**	09/09/2021
Reputational Risk	58	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**	09/09/2021
Reputational Risk	59	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**	09/09/2021
Reputational Risk	60	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**	09/09/2021
Reputational Risk	61	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**	09/09/2021
Reputational Risk	62	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.	1	**7**	09/09/2021

Regulatory and Compliance Risk	63	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**	09/09/2021
Regulatory and Compliance Risk	64	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**	09/09/2021

Agenda Item 8

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 20/09/2021

Subject: Update on the LGPS Pension Administration Service

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

Responsible Director: Rhian Davies, Director of Resources

Summary

This report follows up on update reports presented previously to the Pension Fund Sub-committee on the actions agreed by the Committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 24 January 2022.

The Pension Fund Committee 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 and that further updates will be provided over the project duration.

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.

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 Angela Hogan

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Background Papers Used in Preparing This Report

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

Additional Details

Key considerations

1. This report sets out the progress made against the actions agreed by the Pension Fund Sub-committee on 31 July 2020 (to terminate the agreement with Surrey County Council) and on 3 February 2021 (to appoint LPPA as the new Pension Administration service provider from 24 January 2022).

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

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

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

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

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

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

What are the key project risks?

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

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

To manage this risk, a detailed project plan was developed and is being maintained. This was being used to inform the timing of serving notice on SCC, this has already been communicated to them. As set out earlier in the report, notice was served on SCC in December 2020 to terminate the agreement on 31 January 2022. The Sub-committee have approved entering into a delegation agreement for the service to be provided by LPPA, with a clear and achievable timetable proposed to ensure the new service can go live on 1 February 2022. This date has now been brought forward to 24 January 2022.

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

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

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

  Following the steer from the Pension Fund Sub-committee to consider both public and private providers, the Taskforce engaged with a number of public providers. 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 Sub-committee on 3 February 2021, to enter into a delegation agreement for the service to be provided by LPPA, which was approved.

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

  A detailed data improvement plan was developed and agreed. The Pensions Taskforce have been reviewing the data improvement work carried out by SCC and RBKC and procured a third party to undertake work on the backlog cases recently identified by SCC. This work was agreed under an officer decision report, in consultation with the Chair of the Sub-committee, and is currently in progress.

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

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

Progress since November 2020 on project workstreams

Workforce and Recruitment

8. 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.

9. 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 which is already in hand, to manage the exit from the SCC arrangement and to plan and implement the new service with LPPA.

Procurement

Pension administration service

10. At its meeting on 3 February 2021 the Committee approved the recommendation to enter into a delegation agreement for the service to be provided by LPPA (hosted by Lancashire County Council), with a clear and achievable timetable proposed to ensure the new service can go live on 24 January 2022. A formal resolution was carried at the full Council meeting at Lancashire County Council on 25 February 2021 to agree to

London Borough of Hammersmith and Fulham delegating its pension fund administration function to Lancashire County Council pursuant to section 101 of the Local Government Act 1972. This is subject to both parties entering into an appropriate legal agreement. Officers have agreed Heads of Terms with LPPA, to enable the transition project to commence and are in the process of finalising the delegation agreement which will come into force when the new service commences in January 2022.

Pensions Administration Software Contract

11. This is now complete. LBHF have a direct contract with the Aquila Heywood who are the software providers of the pension administration system, Altair. The Pensions Manager has completed a further one-year extension, that allows the Altair software to continue to be used for the remainder of the SCC pension administration delegation agreement term.

12. The Pensions Manager has also engaged separately with Aquila Heywood to assist SCC with the extraction of data required for the transfer of data to LPPA and the deletion of the Fund data from SCC servers post go-live.

Data Improvement

Caseload backlog project

13. To carry out key data improvement work during the transition period, officers sought and received quotations with a view to engage a provider to support the delivery of the Data Improvement Programme, specifically for the review and remediation of backlog cases previously identified by SCC. The backlog relates to four processes mainly related to those leaving the Fund, namely: frozen refunds, refunds, deferred pensions and aggregations.

14. The Pensions Manager has negotiated a reduction in some of the fees to ensure that the work is completed within the estimated budget and is working with ITM to complete the processing of the backlog ahead of the transfer to LPPA.

15. A contract was awarded by the Director of Resources, in consultation with the Chair of the Sub-committee, to ITM, for a maximum cost of £70,000. ITM will carry out the remediation of each case on a fixed fee basis.

16. Given the nature and complexity of this work, it is expected that the project will take an estimated 6 months to complete.

17. A separate report is being presented to the Committee on the same agenda regarding the progress.

Undecided leavers

18. This is now complete. The shared RBKC Retained Pensions Team had undertaken an exercise to review data quality concerns in respect of undecided leavers missing data, this was forwarded to SCC in January 2021.SCC have confirmed this has now been processed.

Legal/Contractual

19. This is now complete. Following the Committee's approval of the recommendation to serve 12 months' notice of termination on SCC, the Taskforce assessed the key risks to ensuring a smooth transition to a new service provider to determine the optimum time to serve notice on SCC. Based on the assessment of risks and factors including the likely mobilisation period required for a new provider, the Taskforce agreed to serve notice on SCC in December 2020 so that the agreement with SCC would come to an end on 31 January 2022 with a new service provider being in place by 24 January 2022.

20. The fee discussions with SCC have been concluded and the revised fee for the service from 1 September 2020 has been agreed.

Transfer of Retained Functions from RBKC

21. This is now complete. All functions and data were successfully transferred to LBHF by 31 December 2020.

SCC Exit Plan

22. This is now complete. Under the delegation agreement with SCC, an Exit Plan has now been agreed. The delegation agreement allows for SCC to charge reasonable costs relating to the exit process. An indication of potential exit costs was provided by SCC in July 2020, along with the framework (headings) for the exit plan which has been part of the ongoing discussions. The Director of Audit, Fraud, Risk and Insurance and the Pensions Manager continue to work closely with SCC on key project plan activities, timescales and responsibilities, in consultation with LPPA to ensure that all key activities, responsibilities and timescales are documented and agreed.

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

Governance Arrangements

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

Communications

25. A key part of the project will be ensuring appropriate communications with stakeholders at key milestones during the project. An initial communication was sent to Fund employers and stakeholders when the Pensions Manager commenced in early November 2020. The Pension Manager is working with LPPA as part of the project plan to ensure effective communications are delivered.

26. The Pensions Manager is reviewing the Pension Fund website contact pages to ensure that active members, deferred members and pensioners are provided with appropriate information regarding the new service, including ways of contacting the team and providing information on the Pension Fund.

Budget

27. 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.

28. Discussions have concluded with SCC in respect of the fee for the service from 1 September 2020 and any likely additional costs arising from the exit plan to be agreed with SCC are monitored on a monthly basis.

29. Budgets have been agreed for the transition period up to the new contract being awarded. The administration fees for the ongoing service from January 2022 will then by managed directly with the Pensions Manager and LPPA. The budget is managed by the Pension Manager and the Treasury team. Performance against the agreed budget will be subject to regular monitoring by the Pensions Manager.

Implementation timetable

30. An indicative implementation timetable provided by LPPA was set out in the report to the Pension Fund Sub-committee on 3 February 2021. This is set out for information in Appendix 1. Officers are working closely with all stakeholders including working through a detailed project plan with LPPA, which also includes elements of the exit plan being discussed with SCC, to ensure a smooth transfer from SCC and implementation of the new service with LPPA on 24 January 2022.

Risk Management Implications

31. 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:

32. The Council is the administering authority 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 completed by David Hughes, Director of Audit, Fraud, Risk and Insurance.

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

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

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 20 September 2021

Subject: **Pension Fund Data Quality**

Report of Eleanor Dennis, Pensions Manager

Executive Summary

This paper sets out a summary of the data quality issues for the London Borough of Hammersmith & Fulham Pension Fund and the mitigations the pension manager is taking on behalf of the Fund to improve these.

Recommendations

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

Wards Affected: None

H&F Priorities

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

Financial Impact

- None

Legal Implications

- None

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Background Papers Used in Preparing This Report

None

1.0 Data Quality

1.1 The Pension Regulator has placed an increased focus in recent years on the importance of pension schemes to ensure that they hold and maintain good quality data in line with Code of Practice 14 for public service pension schemes. This is necessary to ensure that the scheme is managed properly but this cannot be done effectively if records are inaccurate, incomplete or not up to date.

1.2 The Pension Regulator expects pension schemes to look at their data quality at least annually and actively put in place measures to improve their data quality.

1.3 The data quality information on member records can range from incorrect personal information such as date of birth, as well as incorrect salary details and service dates.

1.4 The forthcoming move to LPPA in January 2022 and the migration of the Fund's membership data to their systems also adds emphasis for the need to prioritise cleansing the Fund's data as much as possible for an efficient migration.

1.5 The pensions administrators, Surrey County Council (SCC) informed the Fund of a backlog in February 2020 of just under 1,700 cases that by the very nature have an impact on the data quality of the Fund. Namely; undecided leavers, refunds, frozen refunds and aggregations. All of which if not processed mean that the Fund's liabilities are based on incorrect membership data meaning incorrect funding levels for the scheme. For an individual this may also lead to inaccurate or late payment of member benefits.

1.6 After approval from the Pension Fund Committee and recommendation from SCC, (who were unable to commit to carry out the work themselves). The pensions manager engaged directly in working with a third party, ITM who started sending out queries to employers in April and began processing the remaining 1496 cases in May 2021.

1.7 Since the previous update, ITM have been able to complete 728 cases in total, which is an increase of 442 cases and just under 50% of the total outstanding at the start of the project. However, their progress has been halted in recent weeks with IT issues leaving them unable to access the system to process any cases. They are been working with SCC IT to try to resolve. Of the total 1496 cases, with 728 now processed, 161 cases have been passed back to SCC as they are out of scope. The LBHF inhouse pension team has responded to 785 queries on current and former LBHF employees and are now working with employers to obtain data for 288 cases where the employer has not yet provided the data required by ITM.

1.8 The pensions manager has also ensured that the cases are completed accurately by asking ITM to forward 20% of completed cases to SCC for checking. These have all been processed accurately and feedback received from SCC has been that they work is being completed to a very high standard.

2. Data Cleansing

2.1 In addition to the processing of legacy cases, ITM have identified a further 483 cases with gone away addresses and is now complete. Mortality screening and address tracing has been carried out with excellent results. The project has been completed for the second tranche of “gone away’s” with a success rate of 91% of the member records being verified with the same or new addresses. These records are being updated by ITM, in addition to the processing of legacy data to bring member records up to date.

2.2 SCC have also been carrying out their own data cleansing projects prior to the final migration of data for their exiting clients including LBHF.

2.3 SCC have firstly reviewed individuals who are in receipt of a child pension and verified those receiving payments against the scheme rules criteria. SCC wrote to all recipients to verify them against the criteria and those who did not meet the criteria have had their pension suspended and the reason why confirmed in writing. As part of this process, it has been identified that 12 individuals have been overpaid. This currently totals over £30,000 of overpayments, the amounts range between £1,000 to over £5,000, the pension manager has asked SCC to ask for each individual to be written to and any monies in respect of the over payment to be returned to the Fund.

2.4 SCC is next investigating pensioner retirement payments being paid and verifying those against the retirement payment details on the pension administration system. They are aiming to complete this reconciliation exercise by the end of November 2021.

2.5 SCC have confirmed that there are likely to be further overpayments and potentially some underpayments that are identified as part of the exercise. The results of these will be reported to the Fund Committee once available.

3.0 Summary

The processing of legacy cases has not increased at the pace expected due to technical problems that have left ITM have been 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.

The recent data cleansing exercises carried out by SCC further highlight poor administration practices that have been taking place and the focus is on moving forward to resolve these issues in collaboration with SCC ahead of the move to LPPA.

The importance for clean accurate data for a pension Fund should not be underestimated as the impacts are far reaching and ultimately the cost of a Regulator fine, compensation to members for incorrect benefits and reputational damage mean it should remain a priority.

Both the ITM, SCC and the pensions manager continue to work collaboratively with us in the best interests of the Pension Fund, it’s members and beneficiaries.

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 20 September 2021

Subject: **Pension Administration Performance Update**

Report of Eleanor Dennis, Pensions Manager

Executive Summary

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

Recommendations

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

Wards Affected: None

H&F Priorities

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

Financial Impact

- None

Legal Implications

- None

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Background Papers Used in Preparing This Report

KPI Report

1.0 KPI Performance

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

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

1.3. The number of deaths in the Fund continued to fall in July and is now more in line with pre Covid levels. SCC have continued to meet their SLA's for the initial queries and improved the number of cases they responded to for beneficiaries by 17%, this is in comparison to the previous month where they received the same number of queries.

1.4. Performance in areas such as acknowledging of retirements and refunds remains the same as that displayed in May and June. However processing of the retirements for both active and deferred retirement cases has fallen by 45% and 24% respectively as the number of retirement across all funds increased sharply alongside increased exit activity on other funds meaning less resource available for the Hammersmith & Fulham Pension Fund "business as usual team"(BAU).

1.5. The performance on the processing of transfer estimates and payments continues to lag other task areas however, transfer outs are beginning to see higher performance levels reached.

2. Telephone Helpdesk

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

2.2 The are no defined KPI's for the SCC helpdesk in the delegation agreement other than the requirement for a telephone service that operates Monday to Friday 9am – 4pm.

There was a 20% spike in the volume of calls to the dedicated telephone helpdesk in July from the volumes in April. This is a result of the issuing of annual benefit statements and subsequent queries. However, it is good to see that despite this rise the percentage of cases resolved by the helpdesk team remained at 92%.

3.0 Summary

The KPI's for the period (January to July 2021) are still below the desired level that we require from our administrators, but we have continued to see improvements in key areas such as deaths and transfers. The pensions manager continues to work with SCC to understand the activity trends and challenge poor performance.

Despite the understanding that the Fund is choosing to exit from SCC in January 2022, in addition to other Fund exiting their services, they remain committed where possible to continue to process efficiently as many cases as possible and are still recruiting to help maintain delivery.

Both the SCC exit team and the business as usual administration team continue to work collaboratively with us for the best interests of the Pension Fund, it's members and beneficiaries.

KPI Report - Hammersmith and Fulham Pension Fund - January to July 2021

Description	Target time/date as per Partnership Agreement (working days)	Target	Actual Score Jan	Total No of completed cases	No of cases late	Actual Score Feb	Total No of completed cases	No of cases late	Actual Score March	Total No of completed cases	No of cases late	Actual Score April	Total No of completed cases	No of cases late	Actual Score May	Total No of completed cases	No of cases late	Actual Score June	Total No of completed cases	No of cases late	Actual Score July	Total No of completed cases	No of cases late
Pension Administration																							
Death Benefits **Write to dependant and provide relevant claim form**	5 days	100%	86%	28	4	70%	23	7	100%	22	0	100%	9	0	100%	13	0	100%	12	0	100%	9	0
Set up any dependants benefits and confirm payments due, including concluding any under or overpayments	10 days	100%	73%	11	3	65%	23	8	62%	21	8	40%	25	15	40%	15	9	70%	23	7	87%	23	3
Retirement Notification request for retirement acknowledged, recorded and documentation sent to member	10 days	100%	50%	26	13	70%	60	18	48%	50	26	73%	44	12	96%	55	2	89%	36	4	88%	58	7
Retirements **New retirement benefits processed for payment following receipt of claim**	7 days	100%	73%	11	3	50%	6	3	73%	15	4	100%	22	0	91%	11	1	100%	7	0	55%	11	5
Deferred retirement benefits processed for payment following receipt of claim forms	7 days	100%	89%	18	2	100%	14	0	92%	24	2	87%	23	3	94%	16	1	77%	26	6	53%	19	9
Refunds of Contributions Refund paid following receipt of claim form	10 days	100%	98%	42	1	85%	20	3	92%	59	5	90%	21	2	94%	50	3	86%	69	10	85%	100	15
Deferred Benefits Statements sent to member following receipt of leaver notification	20 days	100%	88%	8	1	46%	13	7	53%	15	7	42%	24	14	81%	63	12	87%	98	13	92%	118	9
Estimates **Early Retirement requests from employer**	10 days	100%	94%	33	2	63%	96	36	63%	24	9	100%	12	0	88%	8	1	100%	17	0	100%	2	0

Projections Requests from employees	10 days	100%	63%	8	3	33%	3	2	100%	3	0	100%	2	0	100%	2	0	100%	7	0	100%	3	0
New Joiners New starters processed	30 days	100%	100%	65	0	100%	33	0	100%	106	0	100%	44	0	100%	10	0	100%	164	0	100%	50	0
Transfers In Quote estimate to scheme member (includes interfunds)	20 days	100%	25%	8	6	50%	10	5	25%	16	12	57%	37	16	74%	23	6	50%	20	10	68%	19	6
Transfers In Transfers-in payments processed	20 days	100%	63%	8	3	54%	13	6	58%	19	8	67%	18	6	56%	16	7	63%	16	6	75%	28	7
Transfers Out Transfers-out quotations processed (includes interfunds)	20 days	100%	53%	32	15	59%	17	7	56%	16	7	80%	25	5	87%	23	3	77%	22	5	73%	15	4
Transfers Out Transfers out payments processed	20 days	100%	57%	7	3	50%	10	5	77%	13	3	78%	9	2	100%	8	0	70%	10	3	88%	16	2
No of complaints received within the month	n/a	100%	N/a	0		N/a	1		N/a	1		N/a	0		N/a	0		N/a	0		N/a	2	
No of complaints resolved within the month	30 days	100%	N/a	0		100%	1	0	100%	1	0	N/a	0		N/a	0		N/a	0		N/a	1	
No of compliments received within the month	n/a	N/a	N/a	0		N/a	1		N/a	3		N/a	1		N/a	0		N/a	0		N/a	0	
Monthly Pensioner Payroll																							
Full reconciliation of payroll and ledger report provided to Borough	Last day of month		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Issue of monthly payslips	3 days before pay day		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
RTI file submitted to HMRC	3 days before pay day		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
BACS File submitted for payment	3 days before pay day		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Annual Exercises																							
Annual Benefit Statements Issued to Active members	31 August each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Annual Benefit Statements Issued to Deferred members	31 August each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
P60s Issued to Pensioners	31 May each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Apply Pensions Increase to Pensioners	April each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		

Pensioners Newsletter	April each year		**Achieved**			**Achieved**			**Achieved**			**Achieved**			**Achieved**			**Achieved**			**Achieved**		

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%